

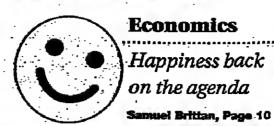
FINANCIAL TIMES

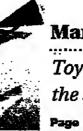
THURSDAY DECEMBER 18 1997

Poland

Small businesses weather the storm

WORLD NEWS





Manufacturing



Reporting Britain

Facelift for inner cities

Survey, separate section

World Business Newspaper http://www.FT.com

EU vets could call for ban on US meat and poultry imports

European Union veterinary inspectors warn they will recom-mend a ban on imports of US fresh meat and poultry over methods for detecting "contami-nants" in food from animals. The threat will raise the temperature in a growing food safety dispute.

German monetary conditions The Bundesbank reported an improvement in German monetary conditions in recent months suggesting it is in no horry to raise short-term interest rates after increasing them in October

Rising from the flood A Polish shop has opened for the first time since the worst floods for a century destroyed hundreds of small businesses. Such determination has made the small business sector the backbone of

Poland's market reforms. Page 3 'Ill-propared for Emg' Only 15 per cent of UK engineering companies have made plans for the introduction of European monetary union within a year. according to a survey. Page 7

Ireland, with a tragic history of emigration, is struggling to rede-fine its attitudes to foreigners as immigrants from eastern Europe seek work in an increasingly prosperous country. Page 2

Economies end year on a high The economies of Latin America and the Caribbean are ending 1997 with their best results in 30 years, according to a UN commis-

Mexican union boss set free Joaquín Hernáandez Galicia, legendary ex-leader of Mexico's oil workers' union, has been freed from jail nearly nine years after troops with a bazooka blasted down the door of his mansion to arrest him. Page 5

John Bor

South Korean poll South Korea will today select a new president in an election closely watched by overseas markets to determine Seoul's commitment to reform. Page 6

With the US trade deficit climbing to new heights, Washington plans to crack down on violations of the more than 200 trade agreements signed in the past five years, according to a top official. Page 4

Israell dispute threatens talks A dispute between Israeli ministers over troop redeployment threatens to overshadow talks between US secretary of state Madeleine Albright and Israeli PM Benjamin Netanyahu. Page 12

Sweden's Nazi gold admi Sweden's central bank admitted it had acquired almost 60 tonnes of gold from Nazi Germany, but said it found no evidence it was stolen from Holocaust victims.

Titanic helps film receipts US box office revenues could top \$6bn this year, helped to fresh peaks by the opening of Titanic, the most expensive film ever made. Page 5

Wheld finds a voice The style and content of Nelson Mandela'a extraordinary fivehour speech to the ANC suggested someone else had supplied many of the words. Page 4

on hits record A 236 mph typhoon which hit the US Pacific island of Guam knocked an area of New Hampshire from the record books as the windiest place after 63 years.

(16.36)

Loadon - Leeds - Paris - Frankfurt - Stockh

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Markets

BUSINESS NEWS

TRW to form new satellite mobile phone consortium

TRW, the US industrial group, is to acquire an equity stake in ICO Global Communications. The tie-up marks the beginning of consolidation in the satellite-based mobile phone industry. Page 13

Uninor, the French steelmaker, is to join Dofasco of Canada to build a C\$180m (\$126.5m) galvan-ising facility in Hamilton, Outario. Page 13

Zenecz, UK pharmaceuticals company, has paid \$500m for a US fungicide business owned by Japanese chemicals company ishihara Sangyo Kaisha. Page 13; Lex, Page 12

Affinez, the German insurer, is on the verge of gaining control of AGF by securing a deal with Generali, the Italian insurer which is a rival hidder for the French insurance group. Page 13; Lex, Page 12

British Airways has beaten Richard Branson's Virgin Atlan-tic airline to fly the last non-stop route between Britain and the US available under a US bilateral treaty. Page 7

The Prague stock exchange's index of 50 top stocks ruse 5.6 to close at 482.9 as Josef Tosovsky, former governor of the Czerh National Bank, was sworn in as caretaker prime minister, Page 3 Ericsson and Nokia shares rose

as the Swedish and Pinnish tele-

munications groups appeared close to winning an international battle to determine the key technology for Europe's next generation of mobile phones. Page 18 Credit Suisse Group has restuilled the top management of

its Credit Suisse First Boston investment banking acm, promoting Allen Wheat, 49, to chairman and chief executive. Page 14 Otympic Airways' chief executive and board of directors are to be sacked by the govern-ment in a move to restructure the state carrier before routes to

the Greek islands are opened to competition next July. Page 2 Deutsche Telekom has unveiled aggressive price cuts for long distance calls in 1998 in a challenge to rivals ahead of the liberalisation of the German tele

communications market next

month Page 18 General Motors is to reduce production at its new plant in Thailand and lower its investment by up to one-third due to the collarse in the South-east Asian vehicle market. Page 12

Timiton, the US's biggest maker of industrial rolling bearings, is to buy a majority stake in Rul-menti Grei, a Romanian bearings producer, for \$37m. Page 14

Amerada Hess, US oil company, and Saga Petroleum of Norway warned they would make big writedowns on the value of their interests in the Dorward and Dauntless oil fields in the UK sec-tor of the North Sea. Page 18

Server, the Japanese commercial bank, is to buy the investment trust arm of Yamaichi, the Japa-nese broker which falled last month. Page 16: Lex. Page 12

Delei, Japanese supermarket operator, has set up the first holding company to exist in the country since the end of the second world war. Page 13

Company, the latest redchip to make its debut on the Hong Kong stock market, saw its shares close unchanged at HK\$1.63, despite a 3.35 per cent rise in the

17725

_1.6343

1,7718

Turkish PM threatens to withdraw EU application

Yilmaz accuses Europe of anti-Moslem discrimination

Mesut Yilmaz, Turkish prime ninister, threatened yesterday to withdraw Turkey's application to join the European Union unless the EU reversed its decision to exclude Turkey from its present Turkish officials say that to cut plans for enlargement.

"If the EU does not meet in a summit to change its attitude before June, Turkey will with-draw its application for membership," Mr Yilmaz said.

Turkey is angry at an EU decision to deny it equal status with Il other countries applying to join the EU. Turkey has threatened to boycott goods from all EU countries except the UK, France and Italy in retaliation.

Most European governments

and the US want to anchor Turkey firmly in the western system and strengthen its secular traditions. But they are also demanding political and economic reforms and progress on human

The RU, which has invited Turkey to attend a conference in London next March of present and potential EU members, had mediate reaction, But Klans Kinkel, German for-

eign minister, said earlier that the EU's offer to Torkey was fair. The EU was "not some kind of banana union that can have more and more squeezed out of it". : Mr Yilmaz retorted: "They should not think Turkey is a banana republic. Kinkel is talking rabbish from start to

The prime minister, still smarting from rejection at Luxembourg denied that his "attitude was emotional". But it was unclear whether he was speaking off the cuff or announcing a historic shift in Turkish policy. Mr Yilmaz accused European

leaders of discriminating against Moslem Turkey. "People who want to change the EU into a Christian union have won. The next [EU] summit [in June] will

loose from the EU, with which it has a customs union, would neither undermine Turkey's western orientation nor impose great

Britain, which takes over the revolving six-month EU presidency in January, is expected to seek a rapprochement with Turkey after a cooling-off period over Christmas. The UK will probably reiterate the formal invitation to attend the London conference.

But Mr Yilmaz has said the conditions set at Luxembourg for Turkey'a attendance, such as referring a territorial dispute with Greece to the International Court of Justice, are unaccept-able. Turkey had previously indicated it accepted the court's jurisdiction.

Mr Yilmaz announced a break in political dialogue with the EU last Sunday, but the government will maintain bilateral relations with individual European governments, including Britain.

Besides the threatened boycott of EU goods, officials have urged selective taxes on European exports and renegotiation of the customs union. However, ministers deny that Ankara would block enlargement of Nato. Mr Yilmaz was speaking in

where he is to meet Bill Clinton, the president, tomorrow. Mr Yilmaz wants to deepen traditionally strong ties with Washington to counterbalance Ankara's increasingly hitter relationship with Europe.

Yen rebounds on Hashimoto move



Ryntaro Hashimoto's announcement followed assurances that personal taxes would not be reduced AFF

Global markets surprised by Japanese income tax U-turn

By Paul Abrahams in Tokyo

Ryutaro Hashimnto, Japan's prime minister, yesterday astonished the markets when be performed a policy U-turn hy announcing emergency income tax cuts. The move followed his repeated assurances that persnnal taxes would not he

After Mr Hashimoto's surprise announcement, at a hastily summoned press conference, the year and stock market surged forward. However, some economists questioned how great the impact of the Y2,000hn (\$15bn) tax cuts would be on the morihund Japa-

The cuts, the latest in a string the past two days, helped the yen and other measures would result rebnund strongly in Tokyo. It in the issue of deficit-financing lar to close at Y127.

assisted by aggressive buying hy per cent. the Bank of Japan which sold US dallars for the first time in five years. Analysts said the bank because of bis U-turn. "There had sold as much as \$1.5bn. Its were some who said I might be aim was to warn speculators, asked to take political responsi-

who had expected the yen to fall bility for my decision, but that is as low as Y150, that the Japa- a small matter compared with nese currency was not a one-way bet. The US has repeatedly He insisted that, in spite of the expressed concern about the yen's weakness and the country's growing trade surplus.

sures to cope with an excessive depreciation of the yen," said of finance for international

closed 555 points up on the day rose 4.4 per cent against the dol- bonds. The yield on the benchmark eight-year bond rose in The currency's rise was Tokyn from 1.635 per cent to 1.69

what I have to do now," he said. tax cuts, he remained committed to reducing the government's fis-

"We have taken decisive mea-Eisuke Sakakibara, vice minister

The Nikkei 225 average of leading shares, which had fallen in early trading to 15,985, surged or 3.48 per cent - at 16.541. The economy and that taxpayers had bond market was weaker, how- lost Y2,000bn of rebates at the

Mr Hashimoto brushed off suggestions he shund resign cal deficit. Bill Clinton, the US president,

telephoned Mr Hashimoto to welcome the tax cuts as a "very constructive" measure. The US ambassador in Tokyn, Thnmas Foley, said the move was a positive step. However, many analysts were more sceptical about the importance of the Y2,000bn more than 1.000 points on Mr tax cuts. They pointed out that Hashimoto's news. Eventually it April's tocrease in sales tax had

> It was also unclear whether the Japanese public would save their new found rebates nr spend

withdrawn Y5,500hn from the

Prod to economy, Page 6 Editorial comment, Page 11 Lex, Page 12 Bonds, Page 20

Currencies, Page 21

World stocks, Page 32

Andersen partners vote for demerger

By Jim Kelly, Accountancy Correspondent

Andersen Worldwide, the world'a

Partners of Andersen Consulting meeting in San Francisco voted "unanimously" in favour of invoking binding arbitration.

between the firms. Andersen Consulting, said: "The right answer, and the fair answer, is to put the legal agree-

Inside

283.4

(1.7846) (5.9787) (1.408) (130.846)

ments aside and go forward as independent businesses into the market

Although the two halves of the organisation are run as separate businesses, they are held together under Andersen Worldwide by contracts that have caused internal tensions and public disputes over competition and

Jim Wadia, global head of Arthur Andersen, tried to stop the breakaway hy offering concessions to the San Francisco meeting, but almost 90 per cent of partners decided to seek arbitration.

Rules for arbitration by the International Chamber of Com

Continued on Page 12

biggest accounting and consulting business, yesterday bucked the trend for global mega-mergers when its consulting arm said it wanted to break away from its accounting sister firm, Arthur

alleging hreach of contract against Arthur Andersen leading to "irreconcilable differences" George Shaheen, global head of



COMMENT & ANALYSIS

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EMERGING MARKETS

 Bargain-hunters boost India World Stock Markets, Page 32 Highlights at a glance Global Equity Markets, Page 31

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A WHISPER OF ELEGANCE

Barely 1.64 mm thick, a hand-wound movement beats unemingly within a yellow or white gold case's purebred slimness. Les Essentielles, by Vacheron Constantin. Discretion in space and time.



EU warning on

reserves update

exchange reserves cannot use the paper profit to reduce

said yesterday. The ruling is in line with the view of the

government's plan to revalue the German central bank's

Tha gold plan was subsequently postponed until next

finance ministry will have to look to other measures to

keep the public deficit below the EU's agreed target of 3 per cent of gross domestic product.

Eurostat also looked at capital gains or losses made as a result of regular interventions in the foreign exchange

markets. Several countries, notably Belgium, Germany, and Spain, would have to make corrections in order to-

calculate their deficits. Officials in Bonn said this would

result in only minor adjustments. Lionel Barber, Brussels

their public deficits, Eurostat, the EU's statistical agency,

European Union governments which revalue foreign

Bundesbank, which objected last spring to the Bonn

year, but Eurostat's ruling means that the German

gold and foreign exchange reserves this year.

NEWS DIGEST

French post office insurance plan curbed

By Andrew Jack in Paris

France's Socialist-led government has decided that the sala of non-life insurance products by the national post office network will be severely restricted. It is now unlikely to start until at least 1999.

The government took its decision after French commercial insurers criticised the post office's plans to launch a range of insurance products with the AGF com-

German

bank in

no hurry

on rates

By Peter Norman in Bonn

The Bundesbank has

reported an improvement in German monetary condi-

tions in recent months, sug-

gesting that it is in no hurry

to raise short-term interest

rates after increasing them

In its latest monthly

report, the central bank said

it was easier to operate

interest rate policy "with a

steady hand" after a slow-

down in monetary growth and an easing of underlying

October's moderate tight-

ening of monetary policy,

when the Bundeshank's

securities repurchase or "repo" rate was raised to 3.3

per cent from 3 per cent, was

intended to weaken mone-

tary growth. This, the bank

is due to review money sup-

ply policy today at its final

meeting of the year. The

report sald M3, its most

money, was up an annual-

ised 5.1 per cent in October compared with the average of the final quarter of last year. Money supply growth was thus "visibly slower" than the 5.8 per cent of

August and practically in the middle of the target

range of 3.5 per cent to 6.5

The report also high-

lighted a brighter price out-

look, with consumer price

inflation falling to 1.9 per

cent in November year-on-

year from 2.1 per cent in

August. Import prices were

rising more slowly, reflecting falling commodity

prices and a decline in the

knock-on effect from recent

steep price increases in pub-

lic services and a "decisive"

contribution to stability

from falling unit labour

economic outlook was posl-

tive, it had no shortage of

concerns. With 4.53m offi-

cially jobless, unemployment

remained "Germany's most

The bank urged continued

urgent economic problem".

budgets, even though public

sector deficits fell in the

third quarter compared with the same period of last year.

It also warned that the

finances of the state pay-as-

you-go pension system

remained under strain

despite this month's decision to help finance the system

by raising value-added tax.

The report also com-

plained about the unhal-

anced nature of Germany's

existed with lacklustre

domestic demand; construc-

tion was weak while indus-

trial output was growing. and the gap between affluent

former communist east was

widening, it said.

While the bank said the

The hank reported no

dollar against the D-Mark.

per cent for this year.

The bank's central council

reported, had happened.

inflationary pressures.

in October.

pany as early as next cation into financial ser-doubt by the takeover battle Mr Strauss-Kahn stressed

Dominique Strauss-Kahn, the economics, finance and industry minister, said on Tuesday that he would not in recent years as a way to Germany. allow non-life insurance to support its national network be incorporated into the new of branch offices. plan for the post office negotiation with the governscope for experiments in per-

sonal insurance.

launched by the post office

Advisers close to AGF

Its discussions with the His comments mark a set-back for the rapid diversification have also been thrown into its shareholders.

vices, including limited for the French insurer AGF, in a speech that the current GAN, tha troubled statebanking services and life which is set to be concluded restructuring in the insur- owned insurer, would be insurance products, by majority control passing ance sector should take launched in the next few into the hands of Allianz of place in a "ordered and equi-

insurers argue that the post vise the control of trade office already distorts com- credit insurance and ensure France's existing no-claims which is currently up for indicated yesterday that the petition by operating with that changes did not destacompany was unlikely now advantages including low bilise the sector. ment. He said there might be to develop products during tax charges and opaque. His role was not to interaccounting, as well as vene in private sector individual insurers to set. He because it is under no ohli- operations to determine the said he had made his views gation to provide a return to

table manner". He said he sale being completed by next The French commercial had an obligation to super-

> operations to determine the said he had made his views way in which they were car-

The privatisation offer for days with the objective of a summer, be added.

Mr Strauss-Kahn defended bonus system for car insurance, which is centrally determined and not left to clear on the subject to the European Commission

MasterCard's French progress Europay, the European arm of the MasterCard payment card group, has signed up France's Société Genérale to issua its Cirrus cash machine cards. The deal marks Master Card's first breakthrough with the big three

French banks. Société Générale, like Banque Nationale de Paris and Crédit Lyonnais, has traditionally been one of the Carte Bleue banks issuing Visa-branded payment cards. It will now add the Cirrus brand to its Service Eclair cash machine cards, giving customers access to money from 21,000 ATMs in France and more than 165,000 across

Louis-Noël Joly, Europay's chief executive, said the move was significant because the traditional Carte Bleue banks had been strongly attached to the Visa hrand. MasterCard's arch-rival: "Our market share in France is now around 46 per cent, so in a country where we were weak, we are now coming close." George Graham, London

■ PRICES AND WAGES

■ DEAL WITH SOCGEN

Oslo raises growth estimates

Norway's central bank yesterday raised its forecasts for price and wage growth in 1998 and said the booming oil economy would face a hard landing in a few years if fiscal policy was not reined in. In a quarterly outlook, the bank said it expected the economic upturn to gather pace in 1998 and 1999. Given the current trend, there was good reason to be on guard against expansive shocks, it said. "Both the ontlook for overheating in the economy and

the risk of new shocks that could increase the economic cycle call for right economic policy," the bank governor, Kjell Storvik, said in a statement. "The alternative could be a hard landing for the Norwegian economy in a few

Norges Bank added 0.5 percentage points on its estimate for inflation next year to 2.75 per cent, saying the growth was primarily because of higher indirect taxes in the 1998 budget. Underlying inflation was expected to rise to 2.5 per cent in 1998 from 2 per cent in 1997 because of higher wage growth and import prices. Reuters, Oslo

■ JOURNALISTS PROBE SMUGGLING

Belarus trial for Russians

Two journalists employed by a Russian television station went on trial in Belarus yesterday in the latest episode of an affair which has strained relations between Moscow and Minsk.

Pavel Sheremet, s Belarusan citizen who heads the Minsk burean of ORT, a Russian television station, and Dmitry Zavadsky, a Russian cameraman, are accused of illegally crossing a border between Belarus and Lithuania. The border crossing was part of the reporters' investigation into smuggling, one of the most lucrative businesses in the impoverished Belarus economy.

The arrest of the journalists this summer further hlackened the reputation of Alexander Lukasbenko, Belarus's president, as an authoritarian leader with little respect for basic civil liberties such as freedom of the press. The case has also strained relations between Selarus and Russia, which is grateful for Mr Lukashenko's pro-Moscow politics but has been embarrassed by his dictatorial ways.

Judges in Oshmyany, the town in western Belarus where the journalists are being tried, yesterday postponed hearings until next Tuesday. The reporters could face jail terms of up to five years. Chrystia Freeland, Moscow

■ ESTONIAN SURPLUS

Budget passed 3 months early

Estonia's parliament yesterday passed the 1998 hudget three months ahead of deadline. The budget, with total expenditures of EKri5hn (\$1.06hn), was comfortably sed by 62 votes to 29. The government, which is constitutionally required to run a balanced budget, will be running a surplus of up to EKr54m next year, in an bid to slow economic growth. The money will be placed in a stabilisation fund, which now totals around EKr500m. Parliament's finance committee this week expressed

concerns that the budget's revenue targets might not be met if economic growth was less than the 5 to 6 per cent predicted for next year. The government decided to tighten fiscal policy in early October, before the subsequent turmoil in international capital markets raised local interest rates, which has led to lower growth

The budget approval process, which began in October, was marred by opposition demands for pay rises for teachers. Following a stand-off with the government the opposition settled for a compromise, withdrawing hundreds of amendments which could have prolonged the Matej Vipotnik, Tallinn

■ ECONOMIC WATCH

Spanish growth rate quickens Spanish economic growth

Cuarter-on-counter % change

1996 of 3.5 per cent growth next year.

accelerated in the third quarter to 3.4 per cent compared with the same period last year, according to the national statistics institute. It was the fastest rate since 1990. The figure. slightly higher than an earlier Bank of Spain estimate compared with a revised 3.2 per cent for the second quarter. Rodrigo Rato, finance minister, said the rise in gross domestic product was at the high end of government expectations, and reaffirmed his forecast

Analysis at Banco Central Hispano suggested the figures might be an underestimate, putting overall third quarter growth at 4.2 per cent and forecasting a 1997 average of 3.6 per cent. The institute for Economic Studies, an independent body, also predicted growth this year above the government's objective of 3.2 per David White, Madrid

Irish storm rises on immigrants

Refugees are encountering a racial backlash, writes John Murray Brown

history of emigration, is strug-gling to redefine its attitudes to foreigners as immigrants from eastern Europe and the developing world eek work and refuge in the increas-

rights lawyers accuse the government of stalling on refugee legislation which would have brought Ireland into line with the rest of the European Union but which officials

now see as "too progressive".

Parliament held a special debate
on the issue this week after criticism of alleged racist comments hy a government backbencher.

The number seeking asylum - as distinct from so-called "programmerefugees", who arrive as part of a United Nations agreement - has risen from 39 in 1992 to nearly 4,000

The numbers are tiny hy EU standards, but this is nevertheless a new phenomenon for Ireland, where fewer than 5 per cent of the 3.6m people are non-citizens. The foreign arrivals have triggered a racial backlash in some inner city areas, where many asylum-seekers are in temporary accommodation. Asylum-seekers also face bureau-

cratic delays, with just 66 decisions

Treland, a nation with a tragic present backlog of 4,000 cases. Rosemary Byrne, law lecturer at Trinity College, Dublin, says: "For people without a valid claim, Ireland is seen as the place to go."

John Bruton, the leader of the opposition Fine Gael party, told MPs during this week's dehate: "Many lrish people like to imagins we are benign, tolerant and easy-going, hnt when our successful economy becomes a refuge for those who are different from us, the myth is chal-lenged and shown for what it is." A "more humane and less costly approach would be to declare an amnesty for the 4,000 refugees, he

Before stepping down as president earlier this year, Mary Rohinson warned that racial prejudice was "rearing its ugly head". Human rights lawyers have accused tabloid newspapers of whipping up these sentiments, depicting immigrants as beggars, welfare scroungers and petty criminals.

The lawyers also blame the anthorities, who have introduced tions to deter illegal immigrants apply for asylum - time enough to catch the boat to Ireland, where bentaken last year, resulting in the efits are more generous. Refugees



Dublin street actors portray the treatment of refugees

receive about I£150 (\$220) a week, munity leaders fear could lead to

Under the EU's Dublin convention spot checks at ports and railway sta- of 1990, a refugee has to apply for asylum in the first "safe haven" arriving from the UK. Under UK country, which, hecause of its urging the government to adopt the rules, refugees have 48 hours to peripheral location, is unlikely to be new refugee legislation in full, point-Ireland. Ireland only signed up to the convention in September. Last month, in a ruling that com-

but they cannot attend Irisb schools deportations, the Supreme Court or take work while applications are decided a Russian woman had no right to have her case heard in Ireland, on grounds she had a valid UK visa.

The Irish Council of Churches is ing out a refugee can now be sent

Stakes are getting higher in the battle over the issue of Holocaust assets

Swiss banks face biggest dilemma

be big three Swiss same table, fuelling specula-banks are facing prob-tion they may no longer be national historical commisably the most difficult decision in their bistory: Should they try and reach a quick out-of-court settlement of the multi-hillion-dollar US class actions from angry Holocaust survivors?

Or should they stick with their original plan of letting an International group of experts, led by Paul Volcker, the former US Federal Reserve chairman, find out once for all wbether they really are sitting on billions of dollars of unclaimed bank accounts dating back to the

Nazi era? The stakes were raised suhstantially last Sunday when Stuart Eizenstat, US under-secretary of state, beld talks in Zorich with the chief executives of the banks Credit Suisse, UBS and Swiss Bank Corporation -

By William Hall in Zurich and John Authors in New York their US legal opponents had faced each other across the Volcker commission, the relying solely on Mr Volck- sion and a SFr275m (\$196.4m) er's good offices to sort out a fund to help needy Holoproblem which has tarnished their reputation.

US conference, hosted by court, it will enormously Alan Hevesi, the New York city comptroller, called off a boycott of Swiss banks for three months to give them class action are not satisfied time to reach a global settle-

r Hevesi argued to assets. municipal politito take immediate action any redress should go that sanctions would harm beyond the remaining dorcourt settlement. However, reckons Europe's Jewish there is strong sentiment in community had \$12hn in that the Volcker process was favour of sanctions in the assets, valued at 1940 prices, already working towards US, if no settlement is before World War II, and 85 compensation. reached in the next few per cent of that was launmonths

The Swiss banks argue and lawyers leading the US that the class actions are can argue that the hanks' "wastefully duplicative of co-liability is far higher than the lawyers involved. If the financial package, then 1

caust victims. Mr Volcker argues that if

Less than a week earlier, a the class actions come to complicate his joh of searching for dormant accounts. But lawyers leading the US with the Volcker process because it does not cover the question of looted Nazi

The view of one lawyer, mant bank accounts. He dered through Swiss banks.



Paul Volcker: good offices

bank accounts found so far. Korman, has yet to decide to cians who wanted Michael Hausfeld, is that bear the case. There has been no action since a hearing on August 1, when the banks applied for the case not to proceed on the basis

"As soon as the judge

A Brooklyn judge, Edward

ered through Swiss banks. rules, the process will either This explains how lawyers die or start moving quickly," says Edward Fagan, one of It was the first time Swil- operative efforts under way the SF173m of unclaimed judge allows any part of won't be a part of it".

would give the plaintiffs' lawyers buge powers of discovery, backed by the US courts, to examine Swiss banks' records. The process could drag on

their claim to proceed, this

for years and be highly embarrassing for the Swiss banks. Hence the suspicion that some Swiss bankers may be contemplating a sizeable settlement before the matter gets to court.

Some believe the recently announced merger of UBS and Swiss Bank Corporation will make an out-of-court settlement easier

However, the big drawback for the Swiss banks is that a quick settlement now could leave them open to further law snits several years down the line.

Mathis Cabiallavetta, chief executive of UBS, said last weekend: "If we cannot capture everything in a potential solution that on balance settles all the claims in one

Sweden admits it had gold from Nazis

By Tim Burt in Stockholm

Sweden's central bank yesterday admitted it had acquired almost 60 tonnes of gotd from Nazi Germany during the second world war, but said it had found no evidence thet it was stolen from victims of the Holo-

published by the Riksbank, some of

banks of Belgium and the Nether-lands, even though the Swedish gov-tionally neutral state, where the ernment had been warned by the

from individual Jews or victims in the concentration camps." Publication of the report comes nt

wartime record of some of its larg-Allies not to deal in property stolen from Nazi-occupied countries.

Nevertheless, the report said: "No Some of those companies – such as trail bank that the consignments evidence has been found in the Riks-bank archives that gold acquired hy Sweden from Nazi Germany came industrial empire, which has been accused of appeasing German customers during the war years. Yesterday, an independent to publish its report next year.

archives inquiry commissioned by the Riksbank said the Swedish goverument had sanctioned the acquisiwould not include any looted assets. The findings have been passed to a government commission investigating Sweden's wartime role and the handling of Jewish assets. It is due

According to a 250-page report the gold was looted from the central

FLIMP AND PLANT ELECTRICAL SERVICES LIMITED (formathy Fridgemotion List) The Inspirancy Act 1986

The lamphomary Act 1996.

NOTICE SHREEPY CAYER pursuant to Section We of the businessey Act 1996 but a businessey of Continuation of the above reasonal company will be half at the officer of Pare Americans, lample Combines, Businessey at 1,200 moon for the purpuses remotioned at Section 991 to 189 of the send Act.

Continue which are purpused remotioned at Section 991 to 189 of the said Act.

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Greek airline chief replaced **LEGAL NOTICES**

Greece's Socialist the Greek islands are opened to international competition next July.

By Kerin Hope in Athens

Tasos Mantelis, transport minister, says be will other European carriers on replace Jordan Karatzas, who has been chief executive for 18 months and has for completing deregulation. been criticised for abandon. EU carriers will be able to agreed with the European main Greek tourist resorts, practice of making patronresponse to pressure from or from Athens. Olympic's trade unions.

Mr Mantelis says he will

standards at state-controlled the restructuring agreement.

corporations. "Olympic urgently needs an overhaul costs have soared by over 40 government is poised to sack so that it can handle tougher per cent in the past two the chief executive and competition from next sum- years, mainly because of board of directors of Olym- mer," be says. "Political bigh wage increases granted pic Airways in an effort to pressures have caused inter- to the increasingly militant restructure the struggling ference with the way the air unions. The flight engineers state carrier before routes to line is managed and bave bave threatened to strike slowed its modernisation. over Christmas and the new This has to stop."

From next July, Olympic will face competition from routes to the islands, after the expiry of an EU deadline

year, while temporary cabin crews staged a work-to-rule this week.

Today a parliamentary committee is due to approve the appointment of Nikos Kardasis as chief executive. His selection marks a deparing a restructuring plan offer direct flights to the ture from the usual Greek Commission in 1994 in either from European cities age appointments at state corporations. Mr Kardasis, A Dr35hn (\$125m) capital who runs Jet Air, the Indian increase agreed with the regional carrier, was chosen appoint outsiders to run the European Commission in through an international airline under a recent law 1994 has been delayed executive search conducted designed to introduce pri-because Olympic failed to by Egon Zehnder, the inter-vate sector management comply with other terms of national headhunters.

The carrier's operating sack the carrier's 15 directors next week and replace them with a nine-member board in which "people with business experience, not political personalities, will predominate". The new chairman is to be Emmannel Fthenakis, for-

mer president of Fairchild, the US aerospace company. Mr Fthenakis ran Olympic for three months in 1998 under a former conservative government before deciding to leave Greece because of repeated kidnapping threats. Olympic returned to profit

in 1995 after the Commission agreed to the write-off of more than Dr400bn in accumulated debt. But the company's only source of profit is its monopoly of ground handling operations at Greek airports, which will

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By Tom Burns in Madrid

history

Spanish

divide

over

A dispute over the teaching of history has dealt José Maria Aznar's centre-right government its first big setback in parliament, revealing wide differences about | made the country's small the interpretation of the country's past.

During the present government's term in office, minority nationalist parties have supported Mr Aznar's restrictive budgetary policies to ensure Spanish membership of European monetary union. But they have now balked at the Popular party government's plans to establish a common curriculum on the historical events that shaped Spain.

The nationalists - Catalans, Basques and MPs for the Canary Islands - voted alongside the opposition Socialist party on Tuesday night to defeat the government by 180 votes to 151. The motion called on the govern-ment to withdraw a "humanities plan" drafted by a committee of academics chosen by the education ministry.

The vote underlined Mr Aznar's dependence on the nationalists and the ambiva-lent nature of their support for his centre-right government. While they broadly agree with the Popular par-ty's economic policies, they are deeply suspicious of any encroachment Madrid on their nationalist principles.

The humanities plan has touched a raw nerve among politicians in regional cen tres such as Barcelona and Share prices rose on the Bilbao, who see it as a throwback to the Franco era. when teaching was tightly controlled after the Spanish civil war.

Esperanza Aguirre, education minister, yesterday 50 top stocks rose 5.6 to accused the Socialist party. which had previously backed the curriculum proposals in the senate, of "political opportunism" in order to embarrass the government and curry favour with the nationalists.

The plan, in fact, implements a secondary education hill that was put forward by the Socialist party when it

The blanket opposition from nationalist parties to interim government until the education ministry's procomplex dispute about what history should be taught and how students should learn it.

Nationalists, in particular the Catalans and Basques, view the creation of a unified modern Spanish state as a process that eroded earlier liberties which they want to resurrect within a federalist framework of a "plurinational" Spain.

Ms Aguirre said those who had voted against ber proposals had scored a "pyrrhic victory", because she was determined to introduce them. Mr Aznar appealed for a greater consensus saying "reason and common sense

NEWS: EUROPE Poland's small businesses rise from the flood

his month Andrzej Dzwigaj's clothes sbop in Klodzko opened for the first time since July, when the worst floods for over a century destroyed 300 small businesses in the town and about 18m zlotys (\$5m) of their stock and fixed assets.

Five months later Mr Dzwigaj and his colleagues are struggling to rebuild their livelihoods with the determination which has business sector the backbone of Poland's far-reaching market reforms.

Now that their shops are more or less restored, Klodzko's small entrepreneurs are finally being aided by a new fund for microhusinesses, which has pro-vided more practical help than more established SOUTCES.

In contrast with the days before the 1989 fall of communism, when private businesses operated on the margins of the economy, today small and medium-sized private outfits provide a third of gross domestic product and almost 60 per cent of non-agricultural jobs.

But the companies grew up in haphazard conditions, and in the early 1990s entrepreneurs financed themselves from personal savings

and loans from family and friends. In Klodzko and hundreds of small towns damaged by the floods, businessmen are having to do the same once again. Assistance from the government and ontside

Santyers .

The local anthority in Klodzko, where unemploycent, is also unable to help. The town is suffering from lost tax revenues from the destroyed businesses and bousing and infrastructure institutions such as the worth an estimated 128m European Union (EU) is meazlotys - more than four

times its annual hudget ment hovers around 20 per the first sign of significant nesses whose scale of outside help. Mr Dzwigaj and others drew low-cost loans disbursed by the Fundusz Mikro (FM), a micro-lending itself suffered damage to subsidiary of the Polish American Enterprise Fund. funded by the US Congress.

This month, however, in mercial rates to 5,000 basioperations does not qualify

them for bank loans. Now the Enterprise Fund. which operates as a venture capital fund, has allocated 12.3m zlotys to be lent through FM to affected busi-

cent payable on the maturity tion of communications netof the two-year loan.

"Til turn the 7.000 zlotys within months," Mr Dzwigaj, who has managed to open his shop before Christmas, says with quiet satisfaction. His was one of 305 local husinesses which took out the 2.1m zlotys worth of loans in one busy day in Klodzko's oak-panelled town hall.

In contrast to banks and government egencies, FM requires little documentation other than proof of personal identity. Under the terms of the Mikro scheme borrowers have to organise themselves into groups of five, with members guaranteeing repayment of the loan for each other and mutually monitoring their economic performance over the life of the credit.

"We have a very low failure rate on our loans," says Rosalind Kopisarow, an effervescent former J.P. Morgan banker who set op Mikro. "We save on time and costs hy getting the lenders to do the work of monitoring the loans and make the group responsible for repay-

By contrast, the EU has been experiencing problems with distributing Ecu64.6m

floods. The credits carry a (\$72m) worth of grants, flat interest charge of 10 per mainly for the reconstrucworks and public buildings.

The EU disbursement is loan over several times suffering delays as local government authorities take their time over paper work and deciding how to spend the money. EU rules also mean time-consuming public tenders have to be held for the purchase of equipment and services provided under

the aid programme. Klodzko was one of the few places where the local authorities decided to spend their Ecu346,000 grant on the town's small businesses. But lists of recipients were only recently approved by EU agencies.

Mr Dzwigaj is still looking out for more aid. But decisions on how to distribute a further Ecu5m worth of EU funds assigned to helping Poland's small husinesse are only now being approved by the EU, which has had to wait several months for the Polish government's recommendations.

Though the new funds will provide relief, if more long-term loans are not forthcoming, many of the flood-damaged husinesses in Klodzko and elsewhere could

Christopher Bobinski

Share rise greets new Czech PM

By Anthony Robinson, East Europe Editor

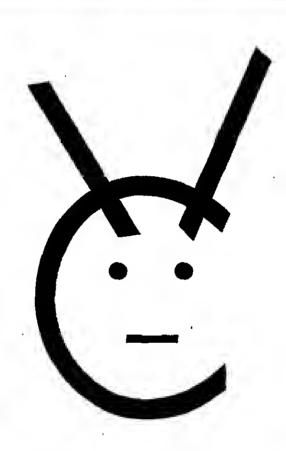
Prague stock exchange yesterday as Josef Tosovsky. former governor of the Czech National Bank, was sworn in as caretaker prime minister. The PX50 index of close at 482.9 and 12 out of 17 continuously traded stocks rose on the day.

But Vaclay Klaus, the former prime minister, whose government fell over a party funding scandal two weeks ago, said he doubted a new government could be set up before the new year.

President Vaclav Havel's decision to chose the politi-cally neutral banker to head what is expected to be an early elections next summer posals illustrated a far more has been accepted by both the previous coalition parties and the main opposition Social Democrats.

But some international bankers say that although Mr Tosovsky managed to defend the central bank's independence and defied government pressure for a looser monetary policy, his attenuts to create a banking regulatory regime fell short.

"Mr Tosovsky was a foreign exchange trader in London before becoming a central banker and never really came to grips with the complex issues of banking regu-lation and supervision. The Czech banks deteriorated on



Over the past three years nesses in response to the

SOME PEOPLE EXPECT ALIENS IN 1999.

AT BNP, WE KNOW IT'S THE EURO THAT'S COMING.

Albania agrees foreign role in chrome and oil

East Europe Correspondent

Albania has agreed to two significant foreign investments in its oil and metals industries, as part of the new Socialist-led government ambitious programme to restructure the country's beleaguered economy.

The projects, two of the largest foreign investments but many years of mismanin the country so far, come just months after Albania descended into violent anarchy, with the collapse of a series of frandulent pyramid finance schemes.

boost export revenues and pany, and including Preusstrengthen prospects for further privatisations.

Fatos Nano, prime minisaround 6 per cent this year.

A consortium of British and Italian companies is to undertake the rehabilitation and modernisation of a large part of Albania's chrome industry with the aim of making it a leading supplier of ferrochrome to European

stainless steel producers. Contracts for plant, equipment and project management worth around \$41m of about \$100m.

kromi, the Albanian statechrome group, which should let the country more than triple ferrochrome output to 80,000 tonnes a year and almost double output of chrome ore to 250,000 tonnes

a year within two years. Albania is estimated to have the world's fourth largest reserves of chrome ore, agement have pushed it well down the league of ferrochrome producers

In a separate deal a consortium led by Premier Oil, the independent UK explora-The deals are likely to tion and production comsag of Germany, the International Finance Corporation, the private sector ter, predicted that the econ-funding arm of the World omy would accelerate next Bank, and Albretrol, the year, with a jump of 10 per state-owned oil company, is cent in gross domestic prod- to invest \$250m to develop uct after a fall in GDP of Albania's biggest existing onshore oil field.

The project, includes building a 40km pipeline to the Adriatic coast between Vlore and Durres, is expected to increase the volume of crude oil output by more than three times to over 30,000 barrels a day. Project finance is being negotiated with the IFC and is expected to include a loan



(Symbol of the future European currency)

That's why our 80-country international network is already geared up for the European currency. BNP is ready for euro banking at 152 branches in Belgium, Cyprus, Germany, Greece, Ireland, Italy, Jersey, Luxembourg, Monaco, the Netherlands, Norway, Portugal, Spain, Switzerland and United Kingdom. In central and eastern Europe, 12 BNP/Dresdner Bank joint venture branches provide banking services in Bulgaria, Croatia, The

Czech Republic, Hungary, Poland and Russia. On top of that, we offer all banking and financial services through out our 2000 branches strong network in France. As France's leading bank for business, we've got the whole planet covered - to help ensure a smooth landing for the euro worldwide, rather than for the aliens. AT BNP THE EURO BEGINS TODAY.



Winnie decides to fight another day

By Roger Matthews in Mafikeng

Winnie Madikizela-Mandela. former wife of South Africa's president, drew thunderous applause from the 3,000 delegates at the African National Congress conference in Mafi- most important post. keng yesterday when ehe refused nomination for the diate political gift for Thabo post of deputy president.

in two days for South was elected unopposed to Africa's most resilient and succeed Mr Mandela as party controversial politician, Hav-ing been embraced and

kissed on Tuesday by Presi- test for the deputy position, ela also avoided the risk of sations, including murder, national president in 1999 it deot Nelson Mandela in a and feared that despite defeat, and is likely to torture and kidnapping, duris less likely that Mr Zuma gesture of reconciliation which delighted the ANC faithful, Mrs Mandela pulled off another coup yesterday by declining to force a contest for the party's second

Her refusal was an imme-Mbeki who minutes earlier It was the second ovation had stood arms aloft as he leader. The ANC leadership

Mrs Mandela's progress she might just pull off a shock victory.

Mr Mandela and Mr Mbeki sat stony faced as Mrs Mandela was nominated from the floor of the conference and seconded by 25 delegates. She was then asked if she would accept the nomination. After a pause she declared: "Comrades, I apologise for having to decline."

strenuous efforts to block strengthen her chances of ing nine days of hearings performing well in tomor- held by the Truth and Recnational executive commit- Mrs Mandela's gamble in tee. In the last election three demanding a public hearing, was to maintain or improve on that position her political rehabilitation within the

ANC would be complete. Less than a fortnight ago

chairman of the ANC, party Mrs Mandela's political obit- elected deputy leader. But a time when the party needs

will advance further.

row's election for the onciliation Commission. But of the party is Kgalema Motlanthe, general secretary of the National Union of Mineyears ago she came fifth out and her blanket denial of workers, a low profile memof the 60 selected, and if sha guilt, seems to have paid off. ber of the national executive Jacob Zuma, national who has a reputation for efficient managament. His leader in KwaZulu-Natal, unopposed election further and the candidate of the strengthens the ties between leadership was subsequently the ANC and the unions, at ise for having to decline." uary was widely written as whereas Mr Mbeki is assured union activists to sustain its.

The gesture hy Mrs Mand- she faced a barrage of accu- of succeeding Mr Mandela as general election campaign.

in check, and to adapt to

attacks on the unchecked

power of a few multinationals, the ugliness of profit

without social responsibility,

and the unfairness of globali-

sation, but there was no hint

that on core issues such as the reduction of the budget

deficit, Mr Mbeki was ready to bow to pressures from his

trade union and communist

"I suppose he'e been quite

clever, Because Mandela's

speech took so much longer

than expected, the confer-

ence may now hardly have

time to discuss economic policy," said one ANC MP. South Africans are expec-

ted to hear much more about

the rest of Africa under an

Mbeki administration. Mr

Mbeki is taken with the idea

of a "popular movement for the fundamental renewal of

Africa" in which his govern-

ment will make a full contri-

But what was not made

any clearer by Mr Mandela's

Mr Mandela'a speech contained crowd-pleasing

global competition.

NEWS DIGEST

UN plans more Iraq inspections

Richard Butler, the United Nations' chief weapons inspector, will tell the Security Council today of plans for future inspections, which diplomats said were likely to take place soon, despite Iraqi recalcitrance. Mr Butler was expected to brief the council on his recent visit to Iraq and lay out a plan for a new wave of inspections, said

Tariq Aziz, Iraq's deputy prime minister, yesterday insisted Iraq had fully complied with UN demands to dismantle its weapons of mass destruction, saying: "There are no hidden arms." He said sanctions remained in force against Iraq because the US and "certain elements" were politically opposed to their lifting. President Bill Clinton on Tuesday called on President Saddam Hussein to give on Tuesday taken on Translate the UN inspectors access to sites placed off limits. Mr Aziz said presidential palaces, were "not related to the business of disarmament" and were being "used to create a mysterious drama...in order to prepare the grounds for a military aggression". Mr Aziz hailed "a more balanced intervational

approach" towards Iraq, noting that commissioners from Russia, Britain and France had accompanied Mr Butler to Baghdad. Iraq believes it won last month's stand-off over UN arms inspections by broadening international involve-ment and reducing what it sees as US domination over the UN disarmament mission.

Laura Silber, New York and David Buchan, Brussel

TURKMEN GAS EXPORTS

Pipeline to Iran completed

The construction of a pipeline which will supply Turk-menistan gas to power plants in northern Iran has been completed, the Iranian news agency IRNA said yesterday. in a dispatch from the Turkmen capital, Ashgabat, the agency quoted a "reliable source" as saying work had been completed on the \$190m, 200km pipeline connecting Korpedzhe gasfield to Kord-Kuy in Iran. The pipeline. which will boost Iran's hopes of becoming an export route for gas and oil from the Caspian Sea area, is due to be opened on December 29 by Mohammad Khatami, Iran's president, and Saparmurat Niyazov, his Turkmen counterpart. It will enable Turkmenistan gas exports to hypass Russia, breaking Moscow's monopoly as an export route.

IMF MEETING

Opposition to plea for funds

The International Monetary Fund will today consider a proposal by its managing director for a substantial ncrease in contributions from member countries.

On the second day of a two-day meeting, the IMF's executive board will also review progress made so far by Korea in implementing a reform package tied to IMF lending. If board members are satisfied with the progress, they will approve a second tranche of the \$21bn loan agreed earlier this month. The proposal by Michel Camdessus for an increase in contributions in addition to one already approved by the Fund's board in September has met flerce opposition from leading Fund members, including the US and Germany. The lack of enthusiasm for the scheme is so great thet officials have indicated the board may not even formally consider the proposal.

Gerard Baker, Washington

Mbeki finds a voice through Mandela

South African president's uncompromising speech was a foretaste of a new era, writes Roger Matthews

T elson Mandela is no one's puppet but the style, phrasing and content of his extraordinary five-hour speech to the African National Congress on Tuesday suggested someone else had supplied many of emphasis. Delegates had no doubt that one of the princi-pal authors was Thabo Mbeki, Mr Mandela's deputy, who yesterday succeeded and in 1999 will become South Africa's president.

It was apparent that Mr Mandela's speech, with its hrusque language and sweeping attacks on a range of targets, was less a valedictory offering than a foretaste of a new era. It contained tittle about reconciliatioo, for which Mr Mandela Is justly famed, and much about the perceived enemies of the ANC, who were cited as an obstacle to national transformation and as determined to prevent real power black majority.

Mr Mbeki is well placed to government oo a day-to-day ency. "He has had to learn basis, as Mr Mandela coo- how to manoeuvre within firmed at the weekend. His the organisation, which be immediate challenge is to does brilliantly," said a colthe leadership is beginning allenate, but to accommotioo among its grassroots how opinion is swinging." supporters at the slow pace at which political power is day may have been to ensure though there may appear to larly the corporate sector, to discipline, to keep spending



delivering economic benefits. rapt attention for his be a marked change in style.

have a good antennae. Much of his career with the ANC was spent in exile where be

Mr Mbeki has needed to planned agenda by having it all he is doing is to continue read out by President Mand- Mandela's stated policies speech was the policy docuknow what be is being developed diplomatic skills ment of the national execu-bequeathed by Mr Mandela. but lacked the opportunity tive; had it been tabled in He is already running the to build his own constitument of the national execu-tive; had it been tabled in reflect Mr Mbeki's key conwould have paid much attention," said a diplomat.

"But because Mandela was take charge of a party where league. "He tries not to attracts far more attention, especially as it was clearly to sense mounting frustra- date, and is always aware of not the normal Mandela how opinion is swinging." style. By doing it this way. response by much of the than most cabinet members. His master stroke on Tues- Mbeki can fairly claim that white population, particuthe need to maintain fiscal

which were approved by the

cerns. Politically, there is certain to be greater emphasis on the pace of social transformation which in speaking, it inevitably essence means black empow-

Mr Mbeki is frustrated by what he sees as the poor

the message of reconciliation preached by Mr Mandela. By linking the mainly white political parties to thet accusation, Mr Mbeki is preparing for what is likely to be one of the ANC's main electoral themes.

On the economic front, the room to manoeuvre is more limited. Mr Mbeki is as committed to the government's macro-economic policy as Mr Mandela is to racial harmony. He appreciates better

speech is how these issues and concerns translate first into policy, then into legislative action. Mr Mbeki is liked and respected within the ANC, but maintains a personal reserve and seems to have few close political friends. Sonth Africa will benefit from his smooth assumption of power, but is little closer to knowing how

he intends to exercise it.

power, which is seen as a

cleaner form, but is more

Public opinion is strongly

against nuclear energy,

trict offices and a Trade

Information Centre in Wash-

ington. The current compli-

expanded to become "a one

stop shop against trade bar-

electronically based with the

text of the 200 or so trade

agreements accessible on

line along with market

access information about

The new initiative will be

NEWS DIGEST

UK's £100m for the poor

UK companies will be able to insure investments in 26 of the world's poorest countries under a £100m (\$160m) initiative announced yesterday.

The UK government said it would try to encourage further investments by persuading private sector insurers to offer cover to companies which built up interests in beavily indebted countries.

The £100m will fund an extension to the Overseas investment Insurance (Off) scheme run by the Export Credits Guarantee Department (EGCD). The ECGD last year insured £160m of UK investments against war, expropriation, restrictions on remittances and other political

The EGCD said it operated at no cost to the UK treasury and rarely had to pay out. In the last four years it had only had to meet two claims, which cost it a total of

Most of the 26 countries are in Africa. They include Congo-Brazzaville, Ivory Coast, Kenya and Uganda. "UK investors haven't approached these countries because there was no cover available," said Anthony Faulkner, manager of the OIL

Mr Faulkner said he hoped that the government's decision to put up money would give private insurers the confidence to offer cover. "We hope we will act as a catalyst for other insurers to come on board," he said.

Michael Peel, London

Another striking !

Elean : Frank W ope. digital Circu

■ IRAQ SANCTIONS

UN to permit shipping link

Iraq said yesterday the United Nations had agreed to allow a shipping line between Iraq and the United Arab Emirates at the request of the UAE.

Since UN sanctions imposed on Iraq for its 1990 invasion of Kuwait, the only outlet for Iraqis wishing to travel abroad is the 1,000km-long desert road between Baghdad and Amman. That road also handles the bulk of Iraqi trade with the rest of the world. Civilian flights are ban-

The UAE is campaigning to reconcile Arab countries that have shummed Baghdad since 1990. Earlier this year, the UAE resumed all direct telecom links with Iraq.

CHINA VENTURE

Krupp in \$1.4bn steel deal

Krupp Thyssen and Shanghai Pudong Iron & Steel of China have set up a joint venture to construct an integrated stainless steel plant in Shanghai.

The total investment will be \$1.4bn with backing from the International Finance Corporation, a unit of the World Bank, and the KfW Reconstruction Loan Corporation of Germany.

Krupp said its plans reflected the prospect of double digit growth in the Chinese market.

Initially, the new venture will set up a cold rolled steel plant with an annual capacity of 72,000 tonnes which will become operational in the second half of 2001.

By 2006, the expanded plant will reach full capacity of 440,000 tonnes of hot and cold rolled strip and will have a workforce of 1,300. International Staff

NEWS: WORLD TRADE

Concern over foreign domination as French utility plans stake in power and gas company

Sparks fly over Austrian electricity sale

By Eric Frey in Vienna and David Owen in Paris

The expected sale of a stake in an Austrian power and gas company to Electricité the interest, about Sch1hn ing in 1999 at the earliest. de France (EdF) sparked a more than competing bids by political uproar in Austria two other consortia, which yesterday and raised con- included the Austrian oil cerns that the liberalisation of Europe's energy sector bund, the country's largest would result in foreign domination of its fragmented util-

per cent stake in Estag, the offered Sch5.6bn (\$450m) for and gas group OMV and Verenergy group.

The bid values Estag at thy industry.

Sch224hn. Styria will inject
The provincial government of Styria announced on ment of Styria announced on privatisation into Estag, utility, paid SFr528m (\$365m)

energy companies. A further local utility company. EdF 25 per cent of Estag is to be sold in a public share offer-The deal would represent

EdF's largest foreign investment and bring to FFr4bn (\$670m) the total it has invested abroad this year. Yesterday's developments came 12 months after the

Tuesday that it planned to which wants to acquire for a 40 per cent stake in accept EdF's bid for a 25.1 stakes in other Austrian Motor-Columbus of Switzerland, a country occupying an important strategic location in the European electricity

Other European countries where the company is present include Italy and Hungary. Earlier this year, Edmond Alphandery, chair-man, indicated the group planned to invest FFr4bn a year in foreign ventures. It bas designated Europe a "priority market".

China is of particular con-

cern. "It's clear that the Jap-

anese and Europeans are

getting through those trade

contacts with China. The

by the commerce ministers.

meets annually to talk about

trade concerns. The two gov-

make the contacts an ongo-

energy sector in Austrian

said. "In some cases it's sig-ufficant: others, marginal." US concern over the past two years. Industry com-

Critics sald EdF was over-

which has been banned in Austria since a referendum in 1979. But Waltraud Klas-

conservative government

runs counter to plans by the

federal government and

most of the other provinces

to keep ownership of the

in ouclear power plants. Austria relies to a large

paying because it wanted to nic, the governor of Styria, use Its Estag stake to gain new markets in Austria and said the agreement with EdF ruled out the sale of French eastern Europe for its cheap nuclear power to Austria. electricity generated mostly

ntility must be majority owned by the public sector. US plans trade pact crackdown

The decision by Styria's extent on hydroelectric

expensive.

basis of the cases referred to the World Trade Organisabarriers better than we are," Mr Aaron has put compa-he said. "We have to find out ance at the top of his agenda. He intends to inten-The Commerce Depart- the process open to large ment is planning to step up and small husinesses rather than going to the US trade With the US trade deficit Joint Commission on Com-climbing to new heights. Mr merce and Trade, co-chaired assistance. However, trade analysts say that USTR resources have been considerably overstretched and it ernments have decided to is constrained over bow

plaints have formed the

much it can take on. The Commerce Department is phasing out its busi-Ensuring compliance with ness counselling service.

tion about how to overcome them. Business complaints can be e-mailed or faxed "We are looking for better

data and anecdotal information," said one official. The resulting actions could range from formal WTO cases to letters to high-ranking foreign officials.

China hails EU gesture over dumping rules

By James Harding in Shanghai

Beining vesterday welcomed a decision by the European Commission to stop labellung Chma and Russia as "nonmarket economies" under European Union antidumping rules.

A Chinese government spokesman said the removal of the "non-market economy" classification, which has increasingly irked Betging as it has introduced market reforms, would help improve Sino-EU economic and trade relations.

China does not oppose anti-dumping measures in general, but it opposes discriminatory aoti-dumptns measures." he said, adding that Beijing "welcomes and anti-dumping probe, Beijing praises the motion which we consider positive and wise".

The European Commission, which made the decision at a meeting on Tuesday, said the removal of the "non-market economy" label would oot weaken EU resolve to fight cases of dumping, but took account under way in both China

The EU will make case-byaccount of market condi- ministers.

"non-market economies", the EU says it cannot work out the normal value of a product because of the distorting effect of state con-trol and lack of market sigoals. Estimates of a fair price for a product are made comparing it with prices and costs in a comparable market economy.

Russia and China complain that this system takes no account of competitive advantages enabling them to produce some goods more Under the proposed new

policy, the EU would use domestic data if it found that market conditions prevailed in a Russian or Chinese economic sector subject to an said it boped that in the future the European Commission would be able "to make an objective evaluation of China's actual economic situation and make an accurate decision".

The decision coincided with a separate demand from the Commission for a of the economic transition heavy anti-dumping duty to be imposed on imports of silicon metal from China into the EU. The 49 per cent duty case judgments, taking must be approved by EU

By Nancy Dunne in Washington

The US plans to crack down on violations of the more than 200 trade agreements signed in the past five years and will mobilise new resources to open the Chinese market, according to David Aaron, US under secretary of commerce for inter-

Aaron describes himself as less concerned about Imports but determined to overcome barriers blocking US exports.
"If you look at the major

ecocomies - Japan, China ing process, with officials and some of the big emerg- meeting monthly. ing markets - our market

By Robert Graham in Paris

Co-operation and Develop-

signed a new international

November 20, was not as

the pursuit of business.

of

the

Minieters

sbare is going down," he trude pacts has been a major leaving those efforts to dis-Anti-bribes convention signed

many international con-Organisation for Economic tracts. As evidence of the imporment (OECD) yesterday tance attached by Washington to the convention, the convention making it an ceremony was due to beat-

The convention, agreed on state. At the least, the agreetough as some countries ment will end to the practice such as the US had hoped. It whereby companies have did not include quantifiable been allowed a tax deduction sanctions nor the means to against foreign bribes. Gerenforce the accord. But it many and France have agent" as anyone who holds nevertheless represented the allowed this until now, a "legislative, administrative being ratified a year from

the widespread bribery and France introduced legisla- country" as well as people corruption surrounding tico to stop the practice,

OECD, representing the world's main industrial nations, had pledged to sign, as well as Argentine, Brazil, Bulgaria, Chile and Slovakia. offence to corrupt officials in tended by Madeleine Australia for domestic proce-Albright, US secretary of dural reasons was the sole OECD nation not signing resterday.

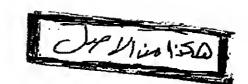
The convention includes a sweeping definition of those covered by the offance by defining a "foreign public first concerted effort to curb although earlier this month or judicial post in a foreign now.

with jobs in public sector All 29 members of the companies or international organisations. For the moment, payments

to political parties are excluded and no effort has heen made to cover the activities of offshore subsidiaries in the corruption process. The penal sanctions to be applied must be "effective, proportionate and dissuasive".

The convention will go to member countries' parliaments for approval before

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plans more inspections

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编 表 表 : ---

\$1.4bn steel deal

FINANCIAL TIMES THURSDAY DECEMBER 18 1997 ★

NEWS: THE AMERICAS

Mexico's legendary oil union boss freed

By Henry Tricks in Mexico City

Joaquin Hernaandez Galicia, legendary ex-leader of Mexico's oil workers' union, has been freed from jail nearly nine years after his nemesis, ex-President Carlos Salinas, sent federal troops with a bazooka to blast down the door of his coastal mansion and arrest

The Mexico he woke up to yesterday on parole has changed almost as much as he has, while growing frail and tending a patch of garden

When La Quina, as the 78-year-

By Christopher Parkes

California will continue

growing faster than the

nation at least until the end

of the decade, although set-

backs from Asia's economic woes will not be "painless."

Silicon Valley's high-tech

base will bear the brunt of

the fall-out from the crisis,

but the net impact on the

state's economy is likely to

be a more sustainable rate of

growth in jobs, incomes and

An expected rise in US

year and running into 1999.

will also help put a brake on

The UCLA's Anderson

business school view that

the Pacific Rim will remain

the mainstay of the Califor-

nian economy matched opin-

ions from other regional

Stephen Levy of the Cen-

ter for the Continuing Study

of the Californian Economy,

said that the likely effect on

exports - a decline over 12

months of between 5 per

cent and 10 per cent - repre-

consumer spending.

in Los Angeles

Los Angeles.

growth

institutes.

Asian crisis:

in California

state's \$1,000bn economy.

economic research at Chap-

man University, suggested

exports from Orange County

- a leading source of medical

instruments and computers -

Noting that almost 50 per

Asia, he added that the

effects of the current crisis

could linger into 1999.

exports."

est rates.

could drop 15 per cent.

growth blip

old Mr Hernandez is known, was and cinemas. seized on murder and stockpiling weapons charges on January 10, sign the preppy Mr Salinas, just two months into office, was no weakling.

As "moral leader", or strongman, of the 200,000-strong Mexican Petroleum Workers' Union, La Quina had been considered untouchable; a labour leader whose union was unabashedly corrupt, siphoning off millions of dollars as it bought and sold jobs at the oil monopoly, Petroleos Mexicanos

The union got away with it weapons charges on January 10, because of its loyalty to the long-1969, his downfall was hailed as a ruling Institutional Revolutionary party (PRI), for which Mr Hernandez Galicia hand-picked candidates and party bosses in off-rich eastern Mexico and regularly whispered into the ears of presidents.

But he angered Mr Salinas in 1988 by opposing his plans to open up the Pemex monopoly. Worse, he leant in favour of Mr Salinas's arch rival, Cuauhtémoc Cárdenas, son of the Mexican hero who nationalised the oil industry in 1938. Why (Pemex), and ploughing it into an Mr Salinas chose to play up murempire of cattle ranches, botels der and arms stockpiling charges

rather than corruption as a way to that hit Mexico shortly after he get his own back is not clear. Some stepped down. now believe the charges that led to La Quina's 13-year jail sentence were trumped up.

"La Quina's opposition to the that made him an unlikely pris- union work." oner of conscience this year.

It must seem like a victory of sorts to Mr Hernandez Galicia that as he walks free, Mr Salinas is living in self-imposed exile in Ireland, disgraced by the economic disaster very closely.

The union that La Quina controlled for more than 25 years has managed to stall President Ernesto Zedillo's efforts to privatise secondopening up of the oil industry and any petrochemicals. But La Quina his support for Cuauhtémoc Car- says he will dedicate the rest of his denas made him a victim of politi-cal harassment," said Soraya Ber-and rice," and pledges "absolutely mejo, of Amnesty International no more politics, and still less

investment, accumulating

reserves of \$13bn. But unlike

the early 1990s, most was in

direct investment, bonds and

medium-term bank loans.

Foreign direct investment

was an unprecedented \$44bn;

Brazil, Mexico, Venezuela

and the Dominican Republic

The regional current

each attracted record sums.

account deteriorated

sharply. For 1997, the deficit

was \$60bn, an average 3 per cent of gross domestic prod-

uct, up from \$35bn last year.

report noted, was the return

to the usual pattern of trade,

with imports growing faster

at 18 per cent, than exports.

Export growth was well

above the 7 per cent growth

forecast for world trade. But

Latin America's overall

trade deficit soared from

\$8bn last year to \$28bn for 1997, with "spectacular"

increases in the deficits of

up 11 per cent.

The main factor, the

But with Mr Zedillo anxious to get the petrochemical privatisation process back on track, the government has made it clear it will be watching La Quina's every move

US sees record

US box office revenues could top \$6bn this year, belped to fresh peaks by this weekend's opening of Thanic, the most expensive film in history. Last year's record \$5.76bn was exceeded last week-end when Walt Disney's Scream 2 attracted bordes of young viewers, sold \$39m worth of tickets in its opening three days, and took the industry's gross to more than \$5.8bn.

NEWS DIGEST

record for a December opening. The imminent arrival of MouseHunt, a beavily promoted comedy from DreamWorks and the latest James Bond film. Tomorrow Never Dies, will give the market extra impetus in the closing days of the year.

The sequel to last year's surprise hit set a new box office

film receipts

Hollywoood's international markets are also performing strongly. Both Sony Pictures and Buena Vista International, the Walt Disney distributor, have recently reported record sales of more than \$1bn. Titanic, a joint effort by 20th Century Fox and Paramount which cust more than \$200m to make, has had mixed reviews, but public interest has been stirred by extensive reporting of its production travails, and a prolonged marketing Christopher Parkes, Los Angeles

BRAZILIAN PUBLIC SECTOR DEFICIT

Cardoso acts to speed bills

The Brazilian Congress will meet for a special session during the January recess to examine vital bills aimed at reducing the heavy public-sector deficit.

The reforms are widely regarded as crucial to reducing the vulnerability of the Brazilian economy to renewed financial market volatility. Fernando Henrique Cardoso, Brazil's president, keen to

push on with the reforms which have been stalled io Congress, called for the extraordinary session from January 6 to February 13.

Congress is also to examine a controversial proposal to bold a constituent assembly in 1999, when changes to the constitution could be approved by a simple majority. rather than the three-fifths majority normally required.

The proposal follows the continued delay in Congress of the government's plans to reform pensions and the civil service, the centrepieces of its strategy to reduce a budget deficit equal to nearly 5 per cent of gross domestic Geoff Dyer, São Paulo product

VENEZUELA

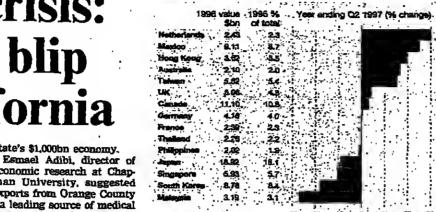
Agreement to reform health

A three-way commission between trade union, employer and government representatives late on Tuesday reached an agreement in principle to reform the Venezuela's health sector and pave the way for private healthcare

"It is a very important step," said Francisco Natera, head of the influential industry and commerce federation, Fedecamaras, "it is the area where we had most discrepancies with the workers and the government."

The political accord allows workers to choose between public and private healthcare funds rather than contributing mandatorily to the inefficient public social security institute IVSS. Healthcare is notoriously poor in Venezuela's public hospitals, which Raymond Colitt. Caracas lack resources.

California exports



according to economists at cent of merchandise exports Federal Reserve to start raisthe University of California, from the Pacific south west region of the US went to

> The silver lining he said. . For the 12 months to the end of June, the state's shipments of electrical machinery and components had fallen more than 4 per cent, while US exports in these categories rose 14 per cent.

> > annual growth rate of 25 per

However, the UCLA's forecast, which included the possibility of lower rates if the external turmoll had too damaging an impact on the US, allowed for higher interper cent

the next six months. "The ensuing inflation pressure in the face of the tight labour market by the sented a "minor blip" for the middle of 1998 will force the

ing the interest rate." Its analysis showed California's exports to Asia had slowed dramatically even before the financial crisis struck.

was a slow-down in the overall rate of US growth which might even lead to lower interest rates late next year and in 1999. "By 2000 I would interest rates, starting next, expect to see fundamental [political and economic] Total exports from Califchanges which will open up Asia even more for US ornia to Japan went from an

cent in 1995 to a decline of 9 per cent in the 12-month period ending in mid-1997. Over the same periods, shipments to South Korea slid from annual growth of 41 per cent to a drop of 18

National growth would Jobs growth in the state. has yet to be affected by continue to be very strong in recent events, although a recent Chapman University Orange County, where cent surge.

unemployment is only 3 per cent. According to UCLA, the state's non-farm employment rate improved 3.4 per cent in the third quarter of this year - the best improvement since late 1988.

labour markets in Silicon Valley, the San Francisco Bay area and Orange County, wage growth has remained relatively modest. The report suggested that this might be because large

In spite of tightening

numbers of new workers were being added to payrolls at entry-level wages because of the shortage of experienced personnel. UCLA researchers have detected some inflationary hot-soots in the region. The

Bay area consumer prices index, up 8.6 per cent in the 12 months to November, has in the latest three months report said reduced exports risen 4.8 per cent, with houscould costs 2,400 jobs in ing costs showing an 8 per

Latin America **ending 1997** in good health sucked in \$73.5bn in foreign

The economies of Latin America and the Caribbean are ending 1997 with their best results in 30 years, with growth near 5.5 per cent and 11 per cent inflation, the UN Economic Commission for Latin America and the Caribbean (ECLAC) said yesterday. Though turbulence in Asia

would almost certainly lower growth by several percentage points next year, the region as a whole was now much better equipped to deal with external shocks, said Gert Rosenthal, ECLAC's executive secretary.

"Latin America went up a steep learning curve in the 1980s: in the 1990s its policy makers have shown they can react quickly and effectively. No one was sitting around watching as the impact of the Aslan situation rolled towards them," said Mr Rosenthal, presenting ECLAC's annual preliminary figures on the region's eco-

nomic performance. The most evident effect of market turbulence would be a drop in the flow of foreign capital to Latin America and deteriorating terms of trade. This year, the region deficits in that region.

Brazil, Mexico and Argentina. Brazil was the only one of the three with a deficit in the current account above 4 per cent, but seven other countries, including Chile and Peru, were also running



IMF shadow Hashimoto's conversion came at summit over South Korean poll

South Korea today will select a new president in an election closely watched by overseas markets to determine Seoul's commitment to economic reform under the international Monetary Mr Kim since his supporters Fund's \$57bn rescue pack-

Kim Dae-jung, the veteran centre-left opposition leader. for Mr Kim if the turnout has maintained a narrow falls below 80 per cent, lead over Lee Hoi-chang, the centre-right government candidate, throughout the cam- vote that would normally paign for the single-term, five-year presidency.

Mr Kim has criticised the IMF deal, though he recently Rhee In-je, a former member promised to support the of the government party. If agreement after baing support for Mr Rhee stays blamed for contributing to above its present 20 per cent, receot financial turmoil by some of his remarks. Mr Lee. a former supreme court judge and prime minister. yesterday appeared calm, as has backed the IMF rescue.

The outcome will rest on undecided voters, who comprise up to 15 per cent of the electorate. Analysts said undecided voters have traditionally opted for the governing party once they enter

the election booth. Mr Kim enjoyed a recent bounce in support due to his have indicated the Fund criticism of the IMF, but would approve release of the "public anger has died down second tranche. and Koreans are beginning to take a cool look at their

economic problems stability with Lee rather

veral factors could benefit

Mr Kim, who if elected,

would be the first opposition

figure elected president in

South Korea's 50-year his-

A low turnout would help

are considered more loyal

Analysts predict a victory

which is believed likely. The majority centre-right

ensure the election for Mr Lee is being split, with the

independent candidacy of

Mr Lee.

Ryutaro Hashimoto, Japan's prime minister, finally experienced his conversion to a new economic approach in

After insisting he would not introduce tax cuts, it vas at this week's summit with other Asian leaders that he was convinced of the need to drift from the path of "fiscal rectitude".

"In Kuala Lumpur, I made the decision after thinking it over and over again. This is what our country must do...to prevent a world recession touched off by

Asian leaders impressed

A recession in Japan could tip Asia into depression, they said.

Pressure from the US, too, was a factor. President Bill Clinton phoned Mr Hashimoto after the announcement and told him the US was encouraged by Japan's move. The White House said the tax-cutting proposals were a recognition by Tokyo of the importance of demand-led growth.

reaction to Tuesday's corporate tax cuts may finally have tipped the balance. But the most important

The markets' negative

don his fiscal reform beliefs was as much a response to the internal politics of his older, more conservative pol-Liheral Democratic party lticians, represented by Sei-(LDP) as the deteriorating roku Kanyama, Mr Hashieconomic situation, analysts moto's former chief cabinet say. "It's not about the economy, it's a family feud," said Keith Henry, political analyst at the Massachusetts

With little personal support within the LDP, Mr Hashimoto has had to rely on public opinion and the balancing of two opposing forces to maintain his minister who had been conauthority in the party.

institute of Technology's

Japan office.

victed of bribery. On the one side is a group

insisted on implementing fissecretary.

The precarious power balance on which Mr Hashimoto's authority rests had been tipped in favour of Mr Kato's fiscal rectitude camp. Mr Kato's allies emerged in control of key cabinet posts after Mr Hashimoto'a controversial appointment - and

But Mr Hashimoto's deci-

Total floor area of new housing

on him the gravity of the old-fashioned backroom policies facing their economies.

The higgest danger for him crisis facing their economies.

The higgest danger for him retary-general, which has (\$77bn) worth of honds, now is if the conservative on the conservative of the conservative aimed at restoring financial cal reform. Opposing this are stability, and the latest announcement of an income tax cut, represent a concession to conservative forces which had been pressing for funds to boost the economy.

> [Kato camp] and now it's the revenge" of the conservatives, notes Dan Harada, a manoeuvre represents a damaging policy reversal when his credibility has

"He gave too much to the

Mr Hashimoto's latest then the resignation - of a already been shattered by a climb-down on administrament's lack of bold measures

The higgest danger for him camp is able to ride on the momentum of its victory to tip the balance more decisively in its favour.

if that happens, Japan's programme of structural reforms, including Big Bang, could be derailed.

The backroom-politicking that has come to rula policy was of little significance to the international community while its impact was coofinad to domestic issues, says Mr Henry. But as the government has come under bold economic action, the LDP's internal politics is beginning to have more

Package will give prod to sluggish economy

By Paul Abrahams and Gillian Tett In Tokyo

There was no doubt that yesterday morning's this could spell trouble for cuts by Ryutaro Hashimoto, Korean financial markets prime minister, canght make? everyone on the hop. Ris The repeated assurances that boost worries about possible loan such reductions would not defaults on the nation's be countenanced had been short-term foreign deht

considered as gospel.

The ministry of finance's The IMF is scheduled to hudget hureau found out meet today to review Korea's about the reductions only as progress in implementing its rescue programme before Mr Hashimoto was about to releasing another \$3.5bn in announce them at 10.30am. bail-out loans. IMF officials As for the markets, the fallen as low as 15,795 before the announcement, immedi-US officials have said they

would not oppose hridging loans by other countries to They are likely to vote for prevent Korea defaulting on short-term foreign loans due than change with Kim," said by the end of the month.

than 10 per cent against the US dollar, gained 4.4 per cent at one point before closing at Y127, a rise of 3.4 per cent But how much difference ment of income tax will the income tax cuts and the other measures actually

The government aims to boost economic growth through Y2,000bn (\$15.5bn) in corporate tax cuts, and Y2,000bn in accelerated or new public spending. Eisuke Sakakibara, vice-minister of finance for international affairs, said this could add 1 percentage point to growth Nikkei 225 index, which had in gross domestic product.

Moreover, the government has announced measures to ately shot up more than support the troubled financial system with a Y10,000bn package. It has also moved 16,541. to prevent the banks' diffi-The yen, which during culties adversely affecting November had fallen more the rest of the economy.

Japan: sługgish Rest consumer expenditure (Annual % change, seasonally adjusted

Small and medium-sized husinesses, faced by a lending squeeze from the banks. could get Y23,000bn through the government's lending programme this financial year and in 1998.

One diplomat commented this was effectively the selling of dollars - should remove some doubts among international investors who have been pummelled by the combination of a tumbling equities market and collapsing currency. The ven's recovery is probably unsustainable. It would

be dangerous for the government to let the yen rise too much, warns Kazuhiko Ogata, economist at Jardine Fleming in Tokyo. Japanese exporters are already losing competitiveness against Asian rivals. A significant appreciation would also hit the value of overseas bonds held by troubled life assur-

ance companies. The impact of the measures on Japan's sluggish There is little donbt the economic growth will be limited. The increase in sales tax last April withdrew eroment has recognised the Yesterday's sharp rise in tax last April withdrew erom the yen – assisted by the Y5,500bm from the economy econ Bank of Japan's unusual says Mr Ogata. The abolition says. Y5,500bn from the economy economy is in trouble, he

of tax rebates took another Y2,000bn. Yesterday's decision to cut taxes by Y2,000bn will have a marginal impact,

he claims. The main problem is estimating how much Japanese consumers - who should be better off by about Y38,000 each - will spend and how

much they will save.
"The bulk will be saved that'a the price you pay when you have tax cuts in an environment where there is no consumer confidence, said Cameron Umetsu, econ-

omist at UBS in Tokyo. "The cuts should add about 0.2 per cent to GDP growth - and frankly that's a rounding error," he com-

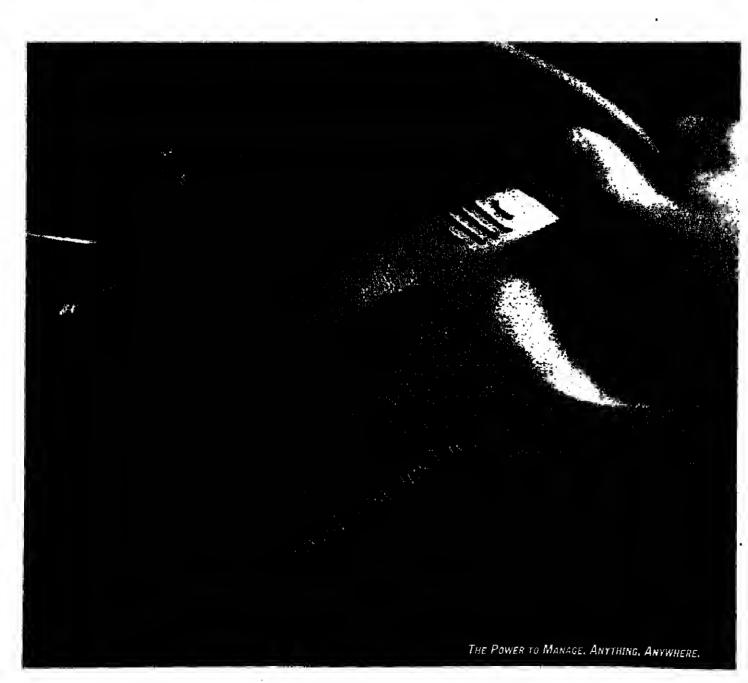
The important factor is the "tax reductions show the gov-

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1,000 points. It later closed

up 3.5 per cent on the day at

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Taiwan questions HK media tycoon

nationalisation of the credit

industry for small and medi-

moves will underpin stocks,

at least in the short term.

um-sized companies.

By Laura Tyson in Taipei and Louise Lucas in Hong Kong

Taiwanese authorities have detained a Hong Kong property and media tycoon and close adviser to Beijing in connection with a land rezoning scandal that broke

last month. Investigators took Lim Por-yen, 83-year-old chairman of Hong Kong-based Asia Television and Lai Sun Development, and two secretaries in for questioning on Tuesday night at Chiang Kai-shek International Airport as he prepared to board an airliner bound for Hong Kong. He was still being held for questioning yester-

"We have detained Mr Lim on suspicion of bribery, sald the Taipei district prosecotor, Hsueh Wel-ping. "We are currently questioning him." Mr Lim was in Taipei for the Golden Horse Film

Festival awards ceremony. News footage showed the prominent businessman and political adviser to China on Hong Kong's July handover from British to Chinese control being led away with his hands covering his face. He was being held incommuni-

Mr Lim'a sphere of infinence, like many Hong Kong and politics. He has led the Lai Sun group of companies since 1947, and was a member of the 400-strong Beijing appointed committee which selected Hong Kong's first leader under Chinese rule. as well as the interim legis-

He was also a member of the caucus that picked 36 Hong Kong representatives to China's national parliament earlier this month. He has business interests in Taiwan as well as China and Hong Kong. Yesterday the property.

garments and hotels companies within the Lai Sun group, including Asia Television, the smaller of Hong Kong's two terrestrial stations, issued a joint statement distancing the companies from what they referred to as "Mr Lim's private business in Taiwan". The Lai Sun companies themselves do not have any businesses or operations in Taiwan.

The Taipei district prosecutor's office is investigating suspicions that Mr Lim may have colluded with Chuang Yu-kun, former director of Taipei county's land administration office, to profit

from real estate speculation. Mr Chuang has been under arrest since last the rupiah has been falling month in connection with | because of capital flight, Mr related land transactions.

Suharto faces ripples of doubt

The prospect of a sixth smooth re-election of President Suharto next year was put in doubt this week, to nominate him and a group of retired generals called for

a new president. The United Development party (PPP), one of only three parties represented in parliament, failed to endorse any presidential candidate

after three days of debate. For the past two decades the Moslem PPP has played its part in a nationwide clamour to nominate Mr Suharto for every election. But newspapers said several branches of the party preferred to nominate Ismail Hasan Metareum, the party chairman, or Amien Rais, an

outspoken Moslem leader. Mr Ismail denied reports that his party's failure to endorse Mr Suharto was linked to persistent rumours about the president's health. Mr Suharto, 76, has been resting for 12 days but said

he would attend a military graduation today. His pledge helped bring back the rupiah and stock market from record lows yesterday.

On Tuesday, a well known group of retired generals and officials cited the economic

crisis as grounds for urging the MPR, a hand-picked assembly that will meet in March, not to re-elect Mr Suharto and to abide hy

tion, which limits a president to two terms. "If this is done, the road to political reform and democ ratisation on the basis of popular sovereignty can begin in a peaceful and constitutional way," said the group, which calls itself the

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Indonesia's first constitu-

Petition of Fifty. Only students and fringe groups have so far dared call for the retirement of Mr Subarto. "Unlike just a few months ago, the continuance of this presidency is now in doubt," a western diplomat

concluded. Ali Sadikin, former governor of the Jakarta region and leader of the Petition of Fifty, denied harbouring ambitions for the presidency and said he favoured Amien Rais or Megawati Sukarnoputri, daughter of the late

President Sukarno. The Petition of Fifty provoked Mr Suharto's anger in 1979 and 1980 with appeals for political reform and redefinition of the military'a rola in government. General Edi Sndradjat, mlnister of defence and security, said yesterday rumours of a coup

Asia crisis may worsen' soon

By Peter Montagnon, Asia Editor, in London

Asia's economic crisis could reach a critical stage in the first quarter of next year, with large corporate debt defaults leading to the dec-laration of more general moratoria and the imposition of capital controls. according to a leading regional equity broker.

The region is in a downward spiral which could wreak "profound economic damage," said Neil Saker, SocGen-Crosby's regional economist, in a note to clients.

Mr Saker is markedly more pessimistic than other regional brokers, but the former Bank of England official was one of the earliest to predict the difficulties that led to Thailand's devaluation in July and sparked the regional crisis.

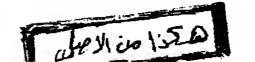
At particular risk now is Indonesia where the political and corporate situation is especially delicate. Some \$10bn short-term debt is due by the end of January and Saker said yesterday.

Also at risk of sparking defaults and moratoria is South Korea, which faces a policy vacuum ahead of the political transition to a new president. Across Asia, devaluations have impaired companies' ability to pay their debts. This in turn has weakened the banking system and provoked capital flight, depressing exchange

rates further. As a result of this vicious circle, good companies are facing bankruptcy, ontput losses will be "tremendous" and the social fabric of Asian societies will come under pressure as unemployment rises.

"A disturbing element of this crisis is that International Monetary Fund stabilisation programmes have not worked so far," Mr Saker said. The rescue packages for Thailand, Indonesia and Korea were among the largest in the IMF's history. but they had failed to revive

confidence. "In fact, the situation has deteriorated markedly as it is realised the IMF remedies are highly deflationary and are not appropriate for a private sector debt crisis.





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MARIAY THE CAMER IN DOS

Move may ease pressure to set up statutory corporate governance body | BA beats

Stock exchange to run new code

Investment Correspondent

The London Stock Exchange is to take charge of the "supercode" on corporate governance being drawn up by the Hampel committee and to place it alongside exchange listing rules.

The plan is designed to lend greater authority to the code, an amalgamation of the Cadbury and Greenbury reports on corporate goverhance as well as that of Sir Ronald Hampel's team. Proponents of the scheme

believe supervision by the exchange will reduce pressure on the government to requirement that companies

US city

networks

buy ITN

breakfast

news show

Independent Television

News is to launch a break-

fast news television service

in the US as part of its push

into providing news on American public television.

programme for the US, to be

hosted by Arthur Kent, has

been commissioned by a

group of networks in

Detroit, Seattle, Houston

and St Louis, ft will cost

\$8m a year to produce and

dent of WTVS-TV in Detroit,

which originally approached

IIN, said he had been seek-

ing a "global perspective"

ITN is the higgest pro-

vider of national news bulle-

tins for the commercial ter-

restrial network in the UK.

It already produces a nightly half-hour pro-

gramme for US public ser-

vice channels using material

from News at Tee and Chan-

nel Four News in the UK. ft

will make a one-hour morn-

ing show to be shown on

BBC, the UK's national pub-

trying to sell news and

other programmes in the US. It is negotiating with Discovery Channel to create

international channels

ITN is working on propos-

based on BBC programmes.

als to retain its £16m-a-year

contract with Channel Four,

and gets £45m a year to

make News at Ten. ft has

recently gained majority control of the Euronews ser-

vice based in Lyons, France.

chief of ITN,said the move

showed it was possible for

UK news broadcasters to

taks advantage of the

demand for international

news by creating new out-

expand internationally with-

ont being subsidised by the

licence fee payer or anyone

else," said Mr Tait. The BBC is producing a 24-hour news

service, funded by the

licence fee, to appear pri-

Don Cruickshank, the UK

telecommunications watch-

dog, yesterday reiterated a

call for BSkyB to be obliged

to sell its premium film and

sports channals on fair

wishing to buy them. BSkyB

is the satellite television

network in which Rupert

Murdoch's media conglom-

erate is the biggest share-

terms to all broadcasters

marily in the UK.

"It shows that we can

lets for their services.

Richard Tait, editor-in-

The move comes as the

stations in US cities.

lacking on US networks.

Steve Autoniotti, presi-

market.

Tha fTN breakfast news

By John Gapper, Media Editor

deal with corporate gover-

nance. While the "supercode" is to be drawn up by the Hampel committee, the exchange will put it out to consultation and then take charge of making the necessary changes to the listing rules.

The process is likely to result in a new clause in the rulebook asking companies to outline how they comply with the principles expressed in the supercode in their annual reports and to justify any failures. This recommendation would supersede the current

Government-appointed

advisera yesterday demanded a delay of at least

two years on the use of

genetic test results by the

Their report clashes with

the stance adopted by insur-

ers in a code of practice also

published yesterday. The conflict raises the possibility

the industry could face legis-

lation to prevent it using

test results if it does not

The Human Genetics Advi-

sory Commission, set up a

year ago to "take a broad

view of developments in

human genetics", said insur-

ance companies should not

request genetic test results

from clients seeking life,

health or other insurance

Although the commission

is not a statutory anthority,

observers would be sur-

accept its recommendations.

prised if ministers did not

Explaining the proposed

moratorium, Sir Colin Camp-

hell, the commission's chair-

man, said: "Genetic testing

is in its infancy, and we

have no body of evidence rig-

orous or robust enough on

which to base important con-

clusions about when some-

"It is far too early to be

sions about how genetic test-

Mohammed Sarwar, the only

Moslem member of the

House of Commons, said last

night he had no intention of

resigning his seat after

appearing before a court on

charges linked to alleged

election fraud. Pakisatan-

born Mr Sarwar is Labour

MP for the Govan district of

Glasgow, Scotland's largest

able to reach any conclu- ress.

one might die.

By John Kampfner,

Chief Political

products.

agree to a temporary ban.

insurance industry.

ply with the Cadbury code a "care and maintenance" on corporate governance.

The change goes to the heart of what the Hampei committee feels is lacking in elements of the code will be the current "box-ticking" approach to corporate governance: it is designed to prompt fuller disclosure.

The consultation exercise will focus on the clarity of the report rather than matters of substance. The exchange expects Sir Ronald to reconvene his committee if the consultation raises issues of principle".

Although the code will be within the included exchange's Yellow Book, it is finalising details of this arise.

Huntington's diseas

Myotonic dystophy

Alzheimer's disease

Endocrine disorders

Hereditary motor and

mission's recommendations,

saying the insurance indus-

try's potential use of genetic

test results might discourage

people from taking the tests

and hold up scientific prog-

am innocent of all charges." The hearing at the Glasgow

Tony Blair, the prime minis-

ter, who had promised to

impose greater discipline on

Mr Sarwar, an entrepre-

eral election in May, said he

was aware that there have

MPs' financial affairs.

Polyposis ...

Adult polycystic

Government report clashes with insurance industry stance

Delay urged for genetic tests

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55+

Herediary breest cencer 354 48%

ing can be used to predict Insurers, however, said it

life expectancy or the onset would seek to change the

of ill health." The medical commission's mind and

profession and consumer obtain exemptions for eight

groups welcomed the com- genetic tests, the results of

The Association of British prospective buyers to take

sheriffs court provided a ary committee decided

fresh embarrassment for within weeks of the allega-

neur who became Britain's inquiry.

Mr Sarwar's fortune is

decisions.

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which it believed were cru-

cial for making underwriting

Insurers bave for some

time used the results of

available, but do not require

wrong and I maintain that I have no intention of doing Sarwar, whose election vic-

Labour'a internal disciplin-

tions surfacing in May to

suspend Mr Sarwar's mem-

bership of the parliamentary

derived from

party. That action took place

MP rejects election fraud allegations

genetic tests if they are cal guidance for people.

Mr Sarwar said. "I reaffirm would be entirely inappropri-that I have done nothing ate for me to resign and I court for the arrest of Mr to make his maiden speech

separately to a police the course of justice and con-

Genetically testable disorders

establish a statutory body to indicate whether they com- expected to be monitored on report, which is expected to basis, which will be less on key issues rather than intensive than for some other listing rules. Not all changes.

NEWS: UK

compulsory. Peter Butler, corporate focus director of Hermes, the pension fund manager, welcomed the move by the stock chation of Pension Funds for exchange. This is much better than a code of principles, which people ignore, or legislation, which would be a of a lead non-executive direcdisaster," he said. tor.

The Hampel committee is expected to publish its own

provide further elaboration recommend fundamental

This could disappoint opponents who called for a range of changes. These included the recommendation from the National Asso a separate vote on executive pay and upease among sev eral responses about the role

The exchange bas said that it will work with "other report in the third week of relsvant bodies" if future January. The committee is corporate governance issues

them. They argue that not doing so would leave the

companies vulnerable to

"adverse selection" - Where

people whose test results

show they are likely to die

early obtain cover at stan-

The association's code of

practice recommends that

insurers consult medical

practitiooers for advice after

raceiving genetic test results. It also says they

should not offer lower than

cormal premium rates to

peopls whose results were

negative, a policy which in

theory should prevent com-panies from "cherrypicking"

For people unhappy with

the response of an insurer,

the industry plans an inde-

pendent appeals panel

Although the commis-

sion's proposed moratorium

would be reviewed in two

years, Sir Colin said: "We

think that if there are argu-

ments to lift any part of it,

tory came after a bitter tus-

sle with rival contenders for

the Govan candidacy in the

charges related to the

alleged late registration of

voters, attempting to pervert

travention of the Represen-

tation of the People Act in

connection with election

The warrant said the

local Labour party.

with the industry."

funded by the companies.

the best risks.

dard rates.

Gatwick, London, to Denver Colorado, over Virgin's offer to fly from Gatwick to Las Vegas twice a week. The decision is a blow for Richard Branson's airline which has a long history of rivalry

result, with our strong case recognised by the CAA." Mr Branson, chairman of Virgin Atlantic, said the decision was a "slap in the face for the smaller airlines and a further unwanted boost to the monopolists at BA"

A flight from London to transatiantic route available under a strict LIK-IIS aviation treaty, which limits the number of "gateways" into the US. Denver will be BA's 23rd US destination while Virgin Atlantic has only eight. Virgin also accused BA of putting in a "spoiling"

dnce the greater benefits for

the onus of proof should lie users of air services". Sir Colin, who is also vice-chancellor of Nottingham University, said the insurance industry should become involved in discussions about how to monitor genetic testing and in research about how to translate test results into practi-York umbrella.

Safety premium, Page 11 Alitalia picks KLM, Page 18

Virgin to last non-stop

By Arkady Ostrovsky

British Airways yesterday scored an important victory in its battle with Richard Branson's Virgin Atlantic airline over the last non-stop ronte between Britain and the US available under a bilateral treaty.

US route

The UK Civil Aviation Authority favoured BA's bid for a direct daily flight from

Bob Ayling, chief execu-tive of BA, welcomed the decision. "This is a great

application. British Airways said Denver was a popular destination and that even without a direct route, 50 per cent more passengers flew to Denver than to Las Vegas. CAA said its decision was based on "which of the two services was likely to pro-

But Virgin insisted that Las Vegas was an equally important business and leisure centre. It said the decision by CAA was particularly unfair, since the spare destination was created by Virgin's decision to put its London-Newark aervice under a general London-New

in the Commons on Friday.

· Tony Blair will today face

criticism from senior trade

union leaders concerned at

the broad thrust of govern-

ment policy, especially at

planned cuts in the social

At a meeting in Downing

Street the Trades Union Con-

gress will attack last week's

cut in the single parent pre-

mium and oppose any future

move to cut disability bene-

security budget.

UK NEWS DIGEST

Top pay slows in N Ireland

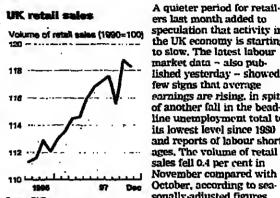
Average annual salary increases for executives of the biggest Northern Ireland companies fell slightly in the 12 months to September to 3.6 per cent from 3.8 per cent in the comparable months a year earlier, says a survey from Coopers & Lybrand, the accountancy firm. While company profits were up on 1996, the growth in remuneration of the highest paid directors did not keep pace.

The report says that, although pre-tax profits of the best performing companies rose 30.4 per cent, overall profits were down 4.1 per cent compared with an increase of 23.8 per cent in 1996. The report based on 62 of the top 100 companies suggests 8 out of 10 senior managers worked up to 20 per cent more than their contracts required. Mr Stephen Kingon, partner with Coopers & Lybrand. said: "The survey demonstrates that, although profit performance has been mixed, increased links between remuneration and company performance are delivering

John Murray Brown, Dublin RETAIL SIGNALS

salary increases directly in line with business

Figures fuel downturn worries



ers last month added to speculation that activity in the UK economy is starting to slow. The latest labour market data - also published yesterday - showed few signs that average earnings are rising, in spite of another fall in the beadline unemployment total to its lowest level since 1980 and reports of labour shortages. The volume of retail sales fell 0.4 per cent in November compared with October, according to seasonally-adjusted figures from the Office for

National Statistics. Annual sales growth also fell, to 4.8 per cent last month compared with 6.4 per cent in October. Retail volumes grew by just 0.2 per cent in the three months between September and November compared with the previous three months, the lowest three-monthly increase since October 1995. Richard Adams, London

FISHING INDUSTRY

New attempt to protect stocks

The government is making a new attempt to introduce "days at sea" limitations on the fishing industry to protect fish stocks.

Elliot Morley, fisheries minister, said that producer organisations would be asked to manage their members' ctivity to reduce the "fishing effort". If the industry failed to reach targets voluntarily, then the government

would close areas to fishing vessels. Mr Morley said there would also be increased enforcement of fish quotas to stop the "blackfish" market, where fish caught over agreed quotas were landed illegally. Larger vessels would be required to instal satellite tranponders by June next year so that their movements and

Mr Morley's remarks were made ahead of today's meeting of the EU fisberies ministers in Brussels which will discuss annual fish quotas. Maggie Urry, London

egriculture ministry's new offices in Smith Square, West-

fishing activity could be monitored from a room in the

Expulsion threat over 'poaching'

The United Road Transport union faces expulsion from the Trades Union Congress for recruiting truck fleet drivers belonging to another union who are employed by Ford at its Dagenham plant in east London. The TUC general council agreed unanimously yesterday

to suspend the small union from the end of next month unless it complies with TUC rules. The TUC said the union had "knowingly and actively" recruited fleet drivers who had been members of the much larger Transport and General Workers' Union.

The move followed allegations from seven ethnic minority members of the TGWU who claimed they had suffered racial discrimination from not being recruited to employment in the truck fleet. They then switched to the United Road Transport Union. While the TUC disputes committee acknowledged that the union did not initiate the decision by the drivers to leave the TGWU they did give "indirect" encouragement to them joining URTU.

Ford refuses to recognise URTU for collective bargain-Robert Taylor, London

■ TAXATION

Business mileage change urged

it were to change the tax rules to provide six business nileage bands, instead of the current two, a report pub-

"I am naturally disap-"calls in some quarwhich he still plays an Mr Sarwar has been prepointed that charges have ters". But he added: "Since f active part. A petition war-been hrought against me," have done nothing wrong it rant was issued on Tuesday party at any function, Editorial comment, Page 11 Engineering sector 'ill-prepared for Emu'

cash-and-carry business in

By Stefan Wagstyl, Industrial Editor

Only 15 per cent of UK engineering companies have made plans for the introduction of European monetary union within a year, a survey by Lloyds Bank and the Engineering Employers Federation said yester-

However, a further 28 per cent to 36 per cent hava reviewed their needs in key areas, including finance, business strategy and information technology, giving hope that they might be ready for the launch individual manager responsible for tion is not fantastic, but we have no

increase in support for British entry, per cent said either that Emu was with just 4 per cent rejecting entry under any circumstances compared with nearly 20 per cent in a similar poll last year. A majority - 58 per cent - favoured entry "when economic conditions were appropriate"

after 2002". Only 20 per cent of EEF members polled in the survey have made an general, said: "The level of prepara-

of the single European currency in January 1999, says the survey. The survey showed a clear on their husiness and a further 66 "important but [there were] other immediate concerns" or that there were "too many unknowns to devote resources" to Emu. Only 4 per cent said it was their most important issue and another 15 per cent said it and 33 per cent sought entry "soon was one of the company's "main

Graham Mackenzie. EEF director

worse than the rest of British industry." It was now important for companies to step up preparations in finance IT, and business strategy. Companies had to work ont the impact on pricing of a single currency which would reveal cross-border price differences. Michael Riding, managing director

of LLoyds Bank's commercial serunderpins UK industry. If it is not ready for Emu, it will have repercussions throughout the economy.

The UK's 3m company car drivers drive up to 8.2bn

unnecessary "business" miles a year to qualify for tax breaks under existing company car taxation rules according to research undertaken for Arriva, formerly the Cowie transport group. The government could virtually eliminate this abuse if

lished by the group argues. Under the current system the tax liability of a company car driver falls by 35 per cent above 2,500 business miles a year and a further 35 per

Arriva's monitoring of 5,000 users found that husiness mileage averaged 1,081 in the first 10 months of the fiscal year, then leapt to an average of 2,738 during February John Griffiths, London

Private financing of public projects \$380m flagship for state health service
Monopolies body accepts rail franchise acquisitions

Hospital deal about to be signed Competition signal for transport Citylink, bought for £5m in diversified transport opera- They offer fewer opportuni-By Charles Batchelor. private partners will want to service. These costs would changes in law, it should

Social Affairs Correspondent

After two years of hard bargaining, the contract to huild a £230m (\$380m) hospital for the state health service near the eastern England city of Norwich under private finance initiative rules should be signed soon. The PFI is intended to attract private funding to

public projects. The hospital is the most significant PFI hospital of the 14 on the priority list for related to the risk of the first wave identified by increased costs caused by Alan Milburn, health minis- future changes in the law, are involved in PFI projects, ter, in the aummer. When for instance, tightened buildannounced, probably in the 30-60 years that the private new PFI taskforce, that as stand is that we're trying to first quarter of next year, consortia lease the new hosboth government and the pitals to trusts in the state chaser and responsible for ful business."

apply the lessons of the past usually be reclaimed from bear the whole risk.

"I expect the next wave to ferent basis," said one negotiator, still finalising the details of the Norwich deal but already looking ahead to another project in Greenwich in south-east London. Although each PFI project

has its own character, it is possible to draw general conclusions. One problem has aecond wave is ing regulations, over the

two years to change the insurance or passed on to the purchaser. For PFI projects, insurance is not avail- dered by those best placed to be tackled on an entirely dif- able and the purchaser is in effect the government.

In the Dartford and Graeast of London, 2 cap was put on the total exposure borne by the Tarmac-led consortium. Negotiators for the Norwich contract have won even greater concessions.

Innistree, Charterbonse Bank, 3i and BZW's equity funding teams, all of which have persuaded Adrian Mon-

This follows the principle that risk should be shoul-

manage it. The private sector argues that their expertise is to price and manage vesham hospital deal to the commercial costs, while the government is uniquely placed to deal with the statutory risks. Some in the consortia deal-

ing with Norwich admit there has been "massive distrust" on both sides: "They think we're trying to rip them off all the time. When we ask for something, they think they're going to lose tague, head of the Treasury's out. What they must under-

The competition authorities' decision to allow National Express to keep its privatised Central Trains and ScotRail franchises represents a victory for the company and an important indicator for the future of transport policy.

The coach, rail and airports group must dispose of Citylink, its small but profitable Scottish coach business, but it has kept control of the most extensive rail network to emerge from privatisation of the national network.

The implications of Tuespolicy appear to be that amounts will decline.

tors will be allowed to ties for attracting high-pay-Transport Correspondent tion from the authorities.

This will be welcomed by the transport sector. Plans for increased regulation of the ratiways through a strategic rail authority and the prospect of tighter controls of the bus industry had raised fears of increasing

government interference. For National Express. which owns five of the 25 rail franchises, the ruling removes the last obstacle to developing its rail business. Both franchises will remain heavily dependent on subsidy throughout their sevenday's rulings for transport year lives, though the

develop their businesses ing business travellers than without excessive interven- the group's other franchises but the high level of subsidy provides a solid financial underginning. The others are Midland Mainline, Sil-Express, which operates rise if National Express and Gatwick Airport.

> The five franchises generated only £1.1m (\$1.8m) of six months of 1997 - about the same as Citylink makes in a full year - hut this was after restructuring costs. However, the potential for cost savings and for attracting additional passengers to rail is considerable.

1998, was too small a deal to affect their forecasts for the National Express group of £81m full year pre-tax profits.

In its ruling on Tuesday, the MMC said coach fares verlink and Gatwick could have been expected to between London Victoria owned both trains and coaches in Scotland.

Margaret Beckett, chief industry minister, said she operating profit in the first had considered "behavioural remedies".

However, she added, "No set of undertakings can hope to reproduce the benefits of the vigorous competition [the MMC] would expect to develop if ScotRail and Citylink were in sepa-Analysis said the sale of rate ownership."

TECHNOLOGY

n an industrial yard near Barcelona screened off from prying eyes, a scene is being played out worthy of Monty Python. A lift-truck driver trundles around with a series of pallets, raises them to full height, and drops them to see what happens next.

Amld the bangs and crashes, something serious is takin place. The yard is a testing station run hy Chep, a joint venture between GKN, the UK engineering company, and Brambles, an Australian industrial group which runs the world's biggest pool of pallets for shared use by industrial cli-

The pallets being given the rough handling in Spain are among the world's first plastic pallets that have been engineered to withstand the same kind of pressures as conventional wooden ones.

Pallets, mainly made from wood, are everyday sights in factories and distribution yards in the developed world. They carry anything from cornflake cartons to hub caps. In western Europe and north America, pallets are estimated to outnumber people by two to one.

If Chep or any other company could come up with a plastic pallet capable of replacing Its wooden counterpart, the advan-tages could be significant.

The plastic variety would be more durable, reducing the large numbers of pallets that have to be thrown away or hurnt because

They could more easily he made to exact dimensions, fitting into automated storage systems.

Wood may soon be replaced as the preferred material for making pallets, writes Peter Marsh

Plastic surgery for pallets

ITHINK WE MAY BE GETTING IMPROVED THERMAL OUTPUT FROM THE NEW PLASTIC PALLETS BUT PM WORRIED ABOUT.



wooden one, an important consideration affecting fuel consump-

All three elements could help to cut expenses for the thousands of companies in 24 countries that use Chep's "fleet" of 70m pallets, mainly for the distribution of groto be 10 per cent lighter than a ceries and other consumer goods.

But before the world of pallets the US run by Virginia Polytechfollows other commonplace products that have switched from technical hurdles have to he

programme at its Spanish station, and at another test rig in for the new pallets.

nic Institute. A team of four companies wood to plastic, a number of including the UK's Cookson, Gen-

eral Electric of the US, plus two German and Japanese plastics This explains Chep's testing suppliers - has been assembled by Chep to come up with ideas

While researchers have considered high-strength acrylonitrile butadiene styrene (ABS) and polycarbonate for the plastic pallets, the betting is that specially toughened versions of highdensity polyethylene, a cheaper material, will be used in the final versions.

Cost is important. In a pallet pool, wooden pallets work out at about £10 each. A plastic pallet will be more expensive, which will not matter too much if it lasts three or four times longer. But while the pallet industry would probably pay £30 for a plastic pallet, anything much higher would probably not be economic.

While Chep's research teams nsad the latest three-dimensional computer software to design the plastic pallets to increase their structural atrength without adding too much weight, they also have to consider friction. Because grains of wood provida a natural frictional grip, wooden pallets do not

slide very much. To avoid the safety risks of tha more slippery plastic pallets slid-ing off lift trucks or conveyors, Chep's pallet engineers may have to add rubber pads to thair designs - extras that could push

Researchers are also having to ensure there are no small holes in the final design of a plastic pallet, as they might trap water and so provide a source of contamination when transporting

By contrast, wooden pallats contain natural chemicals secreted by the wood that "self clean" by destroying some potentially harmful organisms.

Worth Watching · Vanessa Houlder



Pig parts help build new knees

Pig intestines have traditionally been used to make sausage skins. Now they are being used to repair knee

Skiers, footballers and basketball players are all prone to knee ligament injuries. Synthetic implants or tissue from elsewbere in the knee is usually used to repair the damage, but this treatment can be uncomfortable and msatisfactory.

Clinical trials are now under way in the US to test a material derived from pig intestines that, when inside the human body, serves as a scaffold around which the body can enerate damaged tissue. In animal studies, tha material appeared to help the natural ealing response. When the damaged ligaments were replaced with long thin strands of intestine and secured to the bones through small holes drilled for the purpose, new ligament-like structures were formed. So far, the researchers at Purdue University, Indiana. and DePuy Orthopaedics have found no problem with the body rejecting the material. The Purdue researchers are also developing applications for the skin, bladder and beart. Purdue University: US, tel 7654942081; e-mail susan gaidos@uns.purdue.edu

Breakthrough in shrinking market

Researchers at Philips in the Netherlands believe they have made a breakthrough in miniaturisation that paves the way for communicators and other gadgets to be shrunk to a size that will fit on to a wristwatch.

The technology, which it calls 'silicon-ou-anything", can be

used to make tiny radio-frequency devices that use 10 to 20 times less power than those currently available. It works by transferring complete circuits to insulating substrates such as glass, which is much more suitable for radio frequency devices than semiconducting silicon.

Philips Research: the Netherlands, tel 402742204; fax 402744947.

Biochip speeds up gene testing

A "DNA biochip" capable of testing for the Aids virus, cancer or tuberculosis could be in use within as little as two years, according to researchers at the Oak Ridge National

Laboratory in the US. The matchbox-sized blochip. which can analyse the genetic could yield test results in a few minutes compared with current techniques that take several days.

look for the antibodies or enzymes that are present with certain diseases or infections. The DNA probe would provide a direct method of detection. making it a precise and

sensitive diagnostic technique. The researchers have demonstrated the concept of the chip, but have yet to build a prototype, which they expect

would take six months. Oak Ridge National Laboratory: US, tel 4235760226; wallira@ornLgov

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Eyes in the front of your screen

Computer screens usually face the wall, rather than the centre of the room. This hides the ngliest part of tha machines. but means computer users never know who is walking up behind them.

Help is now at band for anyone who wants to know who is looking over their shoulder. A rounded mirror, designed to rest on a corner of the computer screen, will make the entire room visible. The Monitor, which is made by the **UK-based DesignAware** Company, costs £4.95, plus £1 for package and posting.

DesignAware: UK tel (0)1384 182828: e-mail products@designavare.co.uk

Rubbing along thanks to slippery particles

Mark Ward reports on the discovery of tungsten disulphide as a superlubricant

here are luhricants and tben there are superluhricants. A chance discovery has revealed that tungsten disulphide particles have all the properties of a

Earlier this year, Professor Reshef Tenne and his colleagues at Israel's Weizmann Institute were using a scanning tunnelling microscope to screen materials they thought might make good thin film photovoltaic cells. which are used in solar energy

Prof Tenne says one material tungsten disulphide - was difficult to image because every time the tip of the microscope got close to it, all the molecules skidded away.

He says this raised his suspicions and started him wondering what other properties tungsten disulphide might possess. Now a battery of tests has revealed that a layer of tungsten disulphide molecules can reduce the shearing forces between surfaces hy between 50 and 700 per cent.

The process of making the slippery particles begins with tungsten oxide - a substance often combined with plastic and used as a protective, abrasionresistant coating on machine

After an hour of sulphidisation

the tungsten oxide is reduced, losing its oxygen, and gradually turns into tungsten disulphide. buckyballs, the football-shaped

If one layer rubs off another lies beneath to keep the innards of an engine or machine working

molecules made from 60 carbon

The finished molecules are made up of several layers like onions and this improves their lubricating properties. If one layer rubs off another lies beneath to keep the innards of an engine or machine lubricated and The unbroken coat means the

spheres have no reactive edges. So when they are used as a Inbricant they will not decompose or react with what they are coating. Prof Tenne says the little

spheres just roll around and do not stick to anything. He adds this means they will last much longer than ordinary organic lubricants such as motor oil and graphite, which tend to break down and stick to what they are supposed to be protecting.

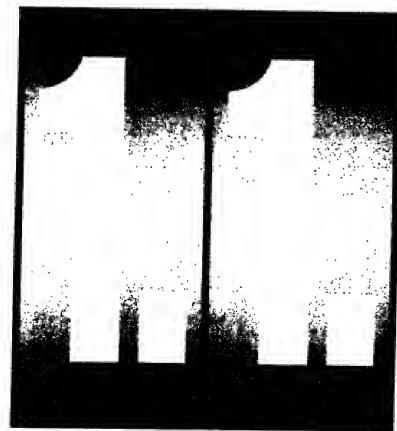
The Weizmann team is working on ways to refine their methods of making tungsten disulphide particles. Prof Tenne says the sulphidisation process would be easy to scale up to commercial size, but It has one drawback.

At the moment the spheres the team can make are around 120 nanometres in size, which Prof Tenne says is too big for a really effective lubricant. Reducing the size of the

spheres, he says, will depend on obtaining smaller tungsten oxide

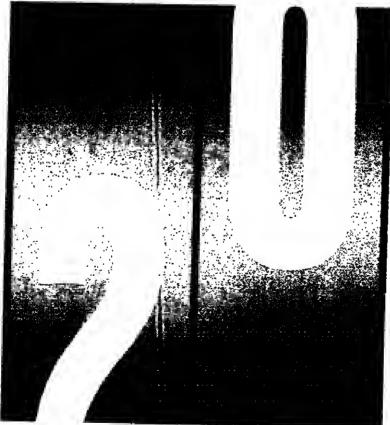
Mark Ward is technology correspondent for New Scientist

SIEMENS NIXDORF



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Many information systems only work with two-place date notations: For them, 1997 is 97 - 2000 will be 00. And then they'll begin computing at the year 1900 again.



and your computers.

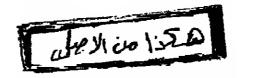
Imagine the chaos in your data processing: Life insurance policies that mature before the insured is ever born. Loans that come due before they're even granted.



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THE REPORT OF THE PARTY OF

Mochip speeds up gene testing A The a term to be a finding of

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Cinema/Nigel Andrews

Identity crises save the day

dow, or even a refrigerator and its incandescent contents. The details are the story. It's a picture of two cultures, pre-takeover Hong Kong and in later scenes mainland China, as refracted through three lifestyles. With Yim Ho, the way people think, feel, love and dream is reflacted, even reified, in the things around them.

ble lives reaching for the unreachable, about the illuminating plucked Yet while Kitchen is big on playfully Expressionist bric-à-brac - a The image Kiarostami casually pulsing lava lamp, a ring of giant conjures in an early scene - a toadstool-like park tables abova waiting cab-driver retrieving some night-time Hong Kong - the behavclipped roses from a mound of ioural minutiae are never crowded street sweepings, could be the fron- out. Aggie's passion for ear-nibtispiece to Kitchen too (opening hling, Louie's complaints about the next week). Yim Ho'a film finds the food when he is transplanted to China, Emma's campy bons mots: miraculous in the everyday. The pretty, grandmother-heraaved Aggie (Yasuko Tomita) learns all turn a potentially sombre tale of emotional and spiritual readjustabout life through a new love that ment - with a startlingly violent grows slowly, quirkily, from the death at the midway point - into something like an Armistead Mau-Based on Banana Yashamoto's pin story re-filmed for Zen comedy.

novel, the chamber movie has just George Of The Jungle should come with a health warning. "This film three main characters: Aggie, her boyfriend Louie (Jordan Chap), and his transexual "mother" will make you think you have seen Emma (Law Kar-Ying). Yet the it before." You have. In addition to director, who made the wonderful being a live-action version of a chilcrime passiannel psychodrama The dren's cartoon series, it is Disney's Doy The Sun Turned Cold, can cre-Jungle 2 Jungle again, which in ate s richly figured landscape from turn was a rain-forest retread of a room, or a view through a win-Crocodile Dundee.

CLOSE UP Abbas Kiarostami

> KITCHEN Yim Ho

GEORGE OF THE JUNGLE Sam Weisman

HOME ALONE 3 Raja Gosnell

PRINCE VALIANT **Anthony Hickox**

KISS ME, GUIDO Tony Vitale

Our Tarzanish hunk (Brendan Fraser) whose comic speciality is swinging straight into tree trunks - the first four times it is funny follows the beautiful backpacking beiress (Leslie Mann), met when he saves her from a lion, back to New York. Here there are the mandatory pratfalls, misunderstandings,

man they address as "Mr Jungle". tle of Sligon" variety, men wearing The film is funny in parts, though the parts do not include the umpteenth tree collision, nor the surreal wranglings between the characters and the voice-off narrator. Disney going postmodern; what would Walt say?

Throw a double six and move quickly to Chicago. Here a boy is "home alone" and, yes, you have seen this plot before too. Twice. Home Alone 3 has no Macaulay Culkin - that actor's childhood having already been laid waste by early adulation - so we are subjected to Alex D. Linz, an alumnus of McDonalds commercials. Yoo could wake up screaming at

the memory of his cheruhic, smiling face. Failing that, you may be self-protectively asleep as he prangs or humiliates one burglar after another; though we critics did laugh (desperation takes over) at the scene of the mouse emerging from Footpad Number 3's trousers.

Ask to be excused and take a time machine to Dark Ages Britain. In *Prince Valiant* Joanna Lumley is Morgan Le Fay to Edward Fox's King Arthur - surely some wild narcotic dream of AbFab's Patsy? As the woods ring to dialogue of the "Let us cross the the girl's snooty family and the swamp of Ardvark to take the cas- good film.

weird costumes compare fashion preferences with women wearing even weirder costumes, or none. The old Prince Valiant (1954) was played by Robert Wagner in a page-boy haircut that tima tried to forget. The new Valiant is a longhaired Essex man (Stepheo

Moyer) with a passion for swords, horses and Lady Bene (Katherine Heigl). Anthony Hickox directs the romp with a guileless cheapskate charm, as if reflecting the press notes' candid account of the film's genesis. "The long period of developing the project for a top director hadn't panned out and they had to get (the film) in front of the cameras before the option ran out."

No one had to get Kiss Me, Guido in front of a camera. The audience's patience runs out long hefore any option could. This is the old comic chestnnt about a gay flat-dweller's advertisement for a co-tenant being answered by an unsuspecting heterosexual. As written and directed by Tony Vitale, it is as funny as limp Christmas cracker joke. "Imagine a young Harvey Fierstein putting an ad in the paper and a young John Travolta shows up," quoth Vitale. No, no: that would have been the

why swallows nest in the they want to hear stories." And other details - above all, the one kiss that no man to have known before.

hoy who can encompas operas in his lifetime. If the audience felt that Elisabetta moved

Theatre/Alastair Macaulay

Timeless flight from the nursery

greatest poetry occurs not with the Lost Boys or Captain Hook or of most of the other actors anywhere in the journey to who play child roles: the Never Land, but at home in London, in the nursery. Prohably oo other tale more profoundly captures the culture of nursery life (so deeply embedded in the The set for Never Land. English consciousness): the sense of soug community and maternal protection, the importance of manners and good form, the idyllic and hesrtless selfishness, the and Jonathan Dove's adventure of trying to com- arrangement of Stephen Oliprehend the world outside. Oo visiting John Caird's

production of Peter Pan at the National Theatre, I find I had forgotten several wonderful details: such as when Peter, explaining to Wendy how he has been hovering at the window, trying to hear the stories her mother has been telling, tells her "That's eaves of houses, because has ever taken from Mrs Darling's lips - I seem oever

could never forget them Hook. He works harder than now. The greatest performance in this production is that of Alec McCowen as the Narrator, Both the fastidious precision and the gental warmth of his manner are perfect here; we hang hope for a disturbing conenchantedly oo his words like Peter hovering to bear Mrs Darling's. Then there is the poismance of seeing Mrs Darling played by Jenny Agutter. English folk of my generation still think of Agutter as one of Nature's Wendys – not hecause we saw her play that role, but because, in the many child roles she has played, she perfectly encapsulated the well-bred nursery quality of an idealised English childhood. And to sense the Wendy within her mother is to be already deep in the world of Peter Pan. Wendy herself is played by Claudie Blakley, with a refreshing lack of demureness and a hright absorption in each unfolding aspect of the

Daniel Evans is so right for the title role in many ways - he is an overgrown both Peter's petulant needi- In repertory at the Olivier

hat a poetic - that I wish I did oot have story Peter Pan to point out the occasional is. And its artfulness in his engaginglittle-boy diction. This is true - again only occasionally wide-mouthed elecution, and

the eye-widening hang of the head, are overemphasised just enough to remind us that we are seeing acting. designed by John Napier, is likewise just sufficiently Disneyfied in its cartoony toadstools and gnomes to keep telling us to suspend belief, ver's music is too saccharine. And so the magical adventures of Peter, Wendy & Co are picturesque, hut ironically - oot as compelling as McCowen's narration

or the nursery scenes wo years ago, a child was so scared by the West Yorkshire Playhouse production of Peter Pan directed by Matthew Warchus) that his pareots coolplained to the theatre. It is unlikely any child could be scared at the National.

lan McKelien plays both At any rate, I feel as if I Mr Darling and Captain everybody clse to let us know that he is Only Acting, and he plays hoth roles safely for pantomime fun. Isn't the National Theatre one place where we should cept of this double role something to match the Mother/Witch double role in David Pountney's English National Opera staging of Hansel and Gretel?

The flying is as enchanting as I have ever seen; in the oursery, it is very hard to know how Peter and the three Darling children all keep up their separate flightpaths without collision, Each of them swims in character. too: I loved the hreaststroke leg-motions employed by John (Adrian Ross-Magenty). By the end, as McCowen draws the tale to its close, you feel with a keen pang the opposing pulls of Barrie's tale: the heartless freedom of the child who never grows up, and the heartheavy responsibilities of the grown-up who can never forget the lost realm of childhood.

ness and his valiant heroism Theatre, London SEI.



Opera/Richard Fairman

social convulsions involving

Basement find made good

the manuscript of an unperformed opera by Donizetti must seem second best by comparison. The concert performance of Elisabetta on Tuesday at the Royal Festival Hall was the opera's premiere, 150 years after it was written. Like other operas of its period, it had a complicated genesis. Having enjoyed a reasonable success with an opera called Otto mesi in due ore, Donizetti was loathe to waste some good ideas.

most like to find a pot of gold, so

hen it is digging

around in the hase-

ment, the Royal

Opera would probably

With the real impostor, Hossain

Sabzian playing himself, the film

becomes a jigsaw-structurad

inquest into the outlandish: a Citi-

zen Kane for a saintly misfit. On

trial one moment, in real incorpo-

rated courtroom footage, and re-en-

acting his story for Kiarostami the

next, Sahzian emerges as a ssif-made philosophar of the

Absurd. He has nothing to gain but

a spurious respect accorded the famous: "If I'd told them to move a

cuphoard or cut down a tree, they'd have done it," he tells the

court. Yet for him and for us, the

incident becomes a touching, rever-

berant masquerade: all about hum-

from the luticrous

detritus of the old.

latest James Bond film. Two acts of the autograph score were discovered in a hasement room in Covent Garden by a visiting American critic in 1984. The

The score was revised several times, then recast for a French

opéra comique version, and finally

turned back into Italian for Elisa-

betta - as many re-writes as the

second act - was lifted out of the bers when they come along. Two of the best fall to the comic baritone remaining act turned up four years later in a sack marked "Miscellaneous - no use". From that point

and

the Royal Opera embarked on a lengthy piece of musical archaeology, putting tha pieces back together again. A round of applause should, have been raserved for tha hard-working musicologists behind the scene. This premiere was a succes d'estime for all concerned, if not a triumph. A rehash of an earlier work

is never the sama as a new composition, even when it is the composer himself doing the cutting and pasting. If he had seen Elisabetta on stage, Donizetti might well have sharpened up the flat first act. It is noticeable that the best sequence of music - the greater part of the

composed for the later versions get progressively more feeble.

o what does Elisabetta add up to? Not much, as far as the drama is concerned. The story is ridiculous even by operatic standards: a girl from Siberia wants to clear her father's name, accidentally runs into his tormentor several hundred miles away, gets washed away in a flash flood (the storm music arrives faster than a sink could overflow) and finally wins a reprieve thanks to an opportune appearance by the

It is best not to try to follow it through; just enjoy the good num- zetti would have witnessed of his

Michele, sparklingly sung here by Alessandro Corbelli (even if Donizetti never manages to hlend his light-hearted honhomie with tha supposedly serious events going on around him). The bass Alastair Miles sang with measured gravity as tha traitorous Ivano, who throws in the towel as a baddie worth knowing within minotes of us meeting him.

Very properly, the Royal Opera made sure this premiere was a complete performance. Second verses, repeats, long recitatives: they gave us the lot as written. which is more than could be said for most of the performances Doni-

slowly, it was more likely hecause it was uncut than anything to do with Carlo Rizzi's spick-and-span conducting and the orchestra's lively response. Apparently, Juan Diego Florez only saw the score for the first

time on Thursday, hut he sang the role of Count Potoski with style. engagement, and remarkably easy high C sharps and Ds. This hrightvoiced young Peruvian tenor looks a find for the bel canto repertoire. Elisabetta does not get any of the best arias in the opera that bears her name, but Andrea Rost sang with a class that befitted the titlerole. In its august history the Royal Opera can claim many premieres hy great composers. Here - unexpectedly - was one more.

Sponsored by the Friends of Covent Garden. BBC Radio 3 will

broadcast Elisabetta next Monday. Claudie Blakley and Daniel Evans

INTERNATIONAL

AMSTERDAM

EXHIBITIONS Rijksmuseum
Tel: 31-20-673 2121
On Country Ploads and Fields:
tracing the development of Dutch
landscape painting through the
18th and 19th centuries,
including examples of the Hague
School and turn-of-the-century works by Van Gooth and Mondrian; to Mar 3

Netherlands Opera, Het Tel: 31-20-551 8911 Dialogues des Carmélites: by Poulenc. New production conducted by I'ves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 19, 22

■ BARCELONA **EXHIBITIONS** Fundació "la Caixa" Tel: 34-3-207 7475 Madrid-Barcelona, 1930-1936: brrings together a group of around 100 avant-garde works from the period of the Second Republic, before the Civil War. includes works by Picasso and Miró along with photographs, posters and films; to Dec 21

BERLIN CONCERTS **Deutsche Oper** Tel: 49-30-34384-01 Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Dec 19

Tel: 49-30-2548 8354.

conducted by Daniel Barenboim In works by Mendelssohn, Rihm and Bruckner; Dec 19, 20, 21 Deutsche Oper Tel: 49-30-34384-01

Berlin Philharmonic Orchestra:

Hänsel und Gretel: by Humperdinck. Premiere conducted by Olaf Henzold in a staging by Andreas Hornoki; Dec

■ BOLOGNA **OPERA** Teatro Comunate Tel: 39-51-529 999 Turandot: by Puccini. Conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 18, 21

CHICAGO

Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slaven campaign. Dennis Russeli Davies conducts a production by George C. Woolfe; Dec 20

HONG KONG **EXHIBITIONS**

Hong Kong Museum of Art www.usd.gov.hk/CE/Museum National Treasures: Gems of China's Cultural Relics, Major exhibition assembling some 160 works of art on loan from China's 30 museums, includes bronzes, jades, ceramics, paintings and tapestries, some of which have never travelled before. The exhibition brings together objects from all over China, and ranges from the Neolithic period to the early 20th century; to Mar 1

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891 Christmas Carol Concert. Richard Hickox conducts the London Symphony Orchestra and Chorus in a programme including Humperdinck's Hansel and Gretel Overture and extracts from Tha Nuteracker; Dec 20, 21 London Symphony Orchestra: conducted by Tadaaki Otaka in works by Rachmaninov. With Leif

Ove Andenes in Piano Concerto

No. 3; Dec 18

DANCE

Royal Festival Hall Tel: 44-171-9288800 The Royal Ballet: Les Patineurs/ Tales of Beatrix Potter, by Frederick Ashton: Dec 23

LOS ANGELES CONCERTS **Dorothy Chandler Pavillon** Tel: 1-213-365 3500 Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Beethoven, John Williams and Nielsen, With violin soloist Alexander Treger; Dec 18, 20, 21

DANCE Teatro alla Scala Tel: 39-2-88791 by Marie-Louise Ekman; Dec 18, 20 Giselle: with sets and costumes

MILAN

Testro alla Scala Tel: 39-2-88791 Macbeth: by Verdi. Conducted by Riccardo Muti in a staging by Graham Vick, with designs by Maria Bjomson. Casts vary; look out for Maria Guleghina and Roberto Alagna; Dec 19, 21

■ NEW YORK CONCERTS Lincoln Center Tel: 1-212-721 6500 www.lincolncenter.org New York Philharmonic: conducted by Kurt Masur in works by Shostakovich and Prokofiev. With violin soloist Midori; Avery Fisher Hall: Dec 18, 19 New York Philharmonic: conducted by Dr Walter J. Turnbull with the Boys Choir of Harlem; Avery Fisher Hall; Dec

Klezmerfest. With the Andy Statman Orchestra and Klezmer Conservatory Band; Avery Fisher Hall; Dec 21 DANCE

New York Philharmonic:

New York City Ballet, New York State Theater Tel: 1-212-870 5570 George Balanchine's The Nutcracker, Dec 18, 19, 20, 21,

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Picasso - The Engraver: Selections from the Musée Picasso, Paris, Around 150 engravings, etchings and woodcuts created between 1900 and 1942. The display includes sequences which show the development of individual images, and carved woodblocks and metal plates; to Dec 21

Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopers.org

Don Giovenni: by Mozart. Production by Franco Zeffirelli;

Dec 20 Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 20

PARIS **EXHIBITIONS**

Centre Georges Pompidou Tel: 33-1-4478 1275 www.cnec-gp.fr Bruce Nauman: spanning the career of tha American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations as well as neon pieces like One hundred live and die (1984). The exhibition will travel to London and Helsinki; to Mar 9

Opéra National de Paris, Opéra

Tel: 33-1-4473 1300 Der Rosenkavatier: by Strauss. New production conducted by Edo de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 19 La Traviata: by Verdi. Production directed by Jonathan Milier and conducted by James Conlon. Angela Gheorghiu sings the rola of Violetta with Ramon Vargas as Germont; Dec 20

Opéra National de Paris, Palais Gamier Tel: 33-1-43439696 The Merry Widow: by Franz

Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 19, 22, 23

Théâtre des Champs Elysées Tel: 33-1-49525050 Fidelio: by Beethoven.

Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and tha Choir of the Welsh National Opera. Conducted by Louis Langrée; **Dec 18**

■ ROME

OPERA Teatro dell' Opera Tel: 39-6-481601 www.themix.lt La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 19

■ TV AND RADIO ● WORLD SERVICE

BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV Monday to Friday, Central European Time:

 NBC Europe 10.00: European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets. 17.30: Financial Times Business

CNBC 08.30: Squawk Box 10.00: European Money Wheel 18.00: Financial Times Business

Tonight





Economic Viewpoint · Samuel Brittan

Money only helps a little

The state is not very good at promoting either happiness or economic growth, both of which it should leave to citizens to pursue in their own way

money with happiness; and only emphasise how small the a greater fool amount of extra happiness a rising gross domestic prodbelieves that money does not matter. These not very uct can bring. Robert Frank profound reflections are protakes a more favourable voked by a set of articles on view of growth, and indeed economic performance and argues for an expenditure happiness in the November tax partly on account of its growth-promoting properissue of the Economic Journal*. Their common theme ties. But both authors distrust what they see as busiis that economists should be concerned with convenness culture and its tional indicators such as the promotion by governments. money supply, inflation, Their data do indeed suggrowth, income distribution gest that the richer memor unemployment only so bers of society are on average more content with their far as they can be related to

human happiness. Failure to lot than the poorer. They do so accounts for "the solid accept that, as GDP rises greyness of the husiness secover time, the level of overall satisfaction also rises, tions of our newspapers". No contemporary social but by not nearly as much. scientist, however, is likely And there are many excepto do better than Sigmund tions. For instance, Belgians seem to have been become Freud, who is quoted as sayfar more dissatisfied in ing: "What we call happirecent decades and the British slightly more so. (preferably sudden) satisfac-Similar results emerged tion of needs which have long ago from studies of been dammed up to a high degree." Joyce Grenfell is savings. The rich save more

also quoted for the remark: than the poor, but rich "Happiness is the sublime countries save only slightly ent when you get out of your corsets at night." The revival of economists' interest in happiness stems not from such insights, but from their discovery of the questionnaire method which has long been used by sociologists, psychologists and students of politics. Given the lead of these other disclplines, it is unlikely that economists will make a breakthrough. And indeed they have a tendency to dis-Proportion who reported cover the obvious and announce it with great glee. The philosopher Gilbert

Belgium

Denmark

Euxambourg

Netherlands

France

Ryle would have looked not

at what people said, but at how they behaved. If a child

or a grown up takes every

opportunity to build model

aircraft, returns to them

whenever he can, and shows

irritation when kept away

from them, be is said to be

happy pursuing his bobby

and need not be distracted

The EJ contributors take

CREDIT FIRST SUISSE BOSTON

by silly questionnaires.

more than poor ones. In fact, one survey shows "happiness" differences between countries at any one time far exceeding changes over the years. In contrast to the popular image of carefree Mediterranean peoples and sombre northern ones, it seems over 60 per cent of Danes and over 40 per cent of the Dutch are "very satis-Satisfaction in Europe

1973-81

39.5%

51.7%

12.4%

8.0%

34,6%

41.3%

31.7%

24.7%

62.B%

13.7%

23.4%

31.1%

13.2%

39.1%

41,8%

30.9%

different route. Andrew fled" with their lives. But French and Italians are willing to say the same. The finding about which

Oswald feels most strongly is that the greatest levels of unhappiness are reported among the unemployed. One is tempted to respond: "Surprise surprise." The relationship may still reflect a drop in income relative to past experience or expectations. Let us, however, grant that it is also due to feelings of worthlessness. reduced social contacts and little unless it is claimed that governments know how to promote full employment and have deliberately refrained from doing so.

Some readers may draw the conclusion that governments have mistakenly coocentrated on low inflation instead. But Professor Oswald is too aware of the now conventional belief that there is no long-term trade-off between unemployment and inflation to say this explicitly.

in what other ways can governments give higher priority to employment? They could try to promote flexible wages that move up and down according to the state of the labour market. But, to put it mildly, none of the authors shows any taste for such policies, which may themselves be a source of dissatisfaction

An alternative might be to be related to income, and Oswald is concerned to only 13 per cent of both try to prop up declining was subject to diminishing industries and put up barrireturns as incomes rose. In ers to international trade the early 20th century, howand investment. This is the ever, they abandoned any French socialist ronte. Such concern with the kind o measures do not preserve satisfaction that might be jobs indefinitely, but only measured on a happiness meter and instead began to look at individual choices, buy time, which is rarely well used. When the job losses occur, they are more as they were revealed by sudden and alarming than if market decisions. the labour market had been Capitalism with a Human permitted to operate earlier.

Even if the measures were pursued so relentlessly, and with such a battery of police controls at the frontier, that they did preserve some jobs, would they really promote happiness? If self-respect comes from working to meet the needs of fellow human beings, will it survive if the "job" bscomes more and more ohviously a kind of dole for which they have to carry out tasks that society does not need?

"Welfare to work" is helpful to the extent that it removes disincentives in the way of workers taking jobs and employers offering them. But it is doubtful if the more coercive side cutting of benefits - is condncive to happiness at all.

The Economic Journal writers are consciously going back to 19th century practice when economists were indeed concerned with maximising satisfaction, to which they gave the clinical-sounding name of "utility". This was assumed to

income and reported

satisfaction in the US.

Arimial Income (\$1000s)

their individual aims. It was not in Oakeshott's style to 'develop a detailed blueprint for a civil association. He would surely not have ruled out the elimination of disincentives to wealth creation. But be would have excluded all exhortation in this direction, and would have had nothing to say against lotus eaters who preferred to sit in the sun. No wonder he is not among today's most fashionable gurus.

l argued in my own book

Face, that the promotion of

individual choice was not

fust a second best forced or

us by the absence of a hap

piness meter, but a superior

objective, and that attempts

by the state to promote hap

piness directly could have

totalitarian results, as

Aldous Huxley showed in

Brave New World. The par-

enthetical suggestions in

the EJ articles, which refer

to neurological experiments

in stimulating happiness

centres of the brain, are not

Even promoting choice,

however, can be dangerous

if pursued in the contempo

rary technocratic way. A

better goal was provided hy Michael Oakeshott, the

political philosopher. He

envisaged a civil association

in which individuals and

families pursued their own

interests, not only in the

market but also through

voluntary associations. The

job of the state is to hold the

ring and provide a stable

legal and monetary system

so that people can pursue

at all reassuring.

*Blackwells of Oxford

LETTERS TO THE EDITOR

Auraber One Southwark Bridge, London SE1 9HI

We are known resourage letters from readers around the world. Letters may be steed to 144 177-873 5938 (please set kin to fine), a mail letters editor@fi.com
Published letters are also available on the FT web site, http://www.FT.com
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Import ban by UK is on risk materials, not on beef

From Mr Jack Cuppingham

Sir, Commentary in your report "Bonn attacks UK for its planned food ban" and leading article "Meat scares" (December 17) showed confusion about my recent actions relating to beef and BSE.

The decision on specified risk material is wrongly described as a ban on beef imports. In May I received advice from the Spongiform **Encephalopathy Advisory** Committee that imported beef could carry a significant risk of BSE infectivity and that the same rules on removing risk materials should apply to imported beef as to home supplies. I made clear that I must act on this advice, but delayed of action at EU level.

I supported the adoption of EU-wide rules in July, relnctantly agreeing to a delay until January 1. These rules have now been postponed until April 1. Several other countries have had numerous cases of BSE - tha numbers are much lower than in

the UK - but BSE has a long incubation period and only in the UK is meat from animals over 30 months kept out of the food chain.

SEAC having advised that we should take action, I could not defend any further postponement and thus tabled legislation effective

from January 1.
My actions go no further than the now-deferred Commission decision. Provided the risk materials are removed, beef from any EU country can be imported. This is not a ban on imports of beef. The French government introduced similar measures last month. Emma Bonino, the EU commissioner responsible for food safety, has confirmed that the German suggestion that we are acting illegally is not

correct. The ban on bone-in beef is based on more recent SEAC advice. The scientific background is different and the risk is markedly lower. I indged that action was needed to protect consumers by removing the bone from

beef before it is not on sals to the final consumer. Beef can be imported on the bone provided the bone is removed before side.

This is different from the prohibition on SIM which applies at the point of

I believe the moblems of enforcement are overstated. Local authority officers visit butchers' shops and restaurants regularly. It is easy to see if beef is being sold on the bone. These rules are to protect the publicand I look to everyone to play their part in seeing they are respected.

It is my duty to ensure food is safe. I am acting to do so in a consistrat, balanced way taking account of the detailed scientific advice I have received I shall continue to do so.

Jack Conninghau minister. Ministry of Agriculture, Fisheries and Fooi 17 Smith Square, London SW1P 3JR_UK

Ludicrous to suggest gold is a 'goner'

From Mr Paul Sarnoff. Sir, I was severely shocked to read the blatantly biased article against investing in or retaining gold ("Death of Gold", December 13-14).

Kenneth Gooding, for example, claims: "The new breed of central banker is not dazzled by gold and sees little point in having an asset that takes np storage snace ... ". By using the example that Argentina sold off its puny gold reserves to invest in US Treasuries for a 5 per cent return, he is implying that such a move provides income without risk to principal. US bonds can drop sharply if interest rates rise, creating risk of loss to the central bank

involved – plus, in my opinion, funds invested in the securities of a virtually bankrupt nation like the US, reflect fiscal insanity.

And the writer's conclusion (near the end of his negative article), "But when it comes to bullion as an investment, and as a measure of national wealth, goldis a goner . . . ", would be ludicrous if people believed it. People who sell off their gold or gold shares, are assuming the US\$ gold price will fall into a black hole. But I wrote years ago that 'assumption in the gold market is the mother of all foul-ups". Every ounce that comes out of the ground is looked after every day. And

shorts have to cover at

Moreover, when it comes to gold as a measure of national wealth, the golden rule still works: "He who has the gold makes the rules." The US holds about 253m gold ounces in "storage" and I haven't heard Alan Greenspan, the Fideral Reserve chairman, refer to it either as a "barbaric relic" or imply the Fed would sell off some of those sunces for financial "investments" that would make the duntry

Paul Sarnoff. The Metals Consultancy. PO Box 178, Baldwin, NY 11510. US

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THE GREATER THE RESOURCES, THE GREATER THE POSSIBILITIES.

BOOK REVIEW - Bruce Clark

THE GRAND CHESSBOARD: American Primacy and its Geostrategic Imperatives. By Zbigniew Brzezinski. Basic Books, \$26, 215 pages

The games nations play



place in the

world as though it had somehow tran-scended foreign policy in the classical sense. Not for us the scheming, cynical, balance-of-power games of the old world; all Uncle Sam ever wants is open markets, open societies, a nice level playing field.

Zbigniew Brzezinski, the former US national security adviser and eagle-eyed doyen of Washington's foreignpolicy elite, would certainly not be against those princi-ples. After all, he was among the first to see how civi society in eastern Europe could be used to dislodge Soviet power. But he is also an unabashed advocate of geopolitical gamesmanship. in a world where technology is supposed to be killing distance, and waging war to acquire territory has been dismissed as obsolete, he preaches the old-time doc-trine of strategy and spheres

Some readers (though not this one) would hold this

against him. But Professor

Brzezinski is a scholar who

combines the bustling,

can-do activism of bis adopted country with the instinctive pessimism, and historical sense, of a Pole. In his latest essay, he explores the implications of a few, simple geopolitical propositions. First, America enjoys global primacy in the economic, military and cultural spheres. Second, the Eurasian landmass - the "central arena" in global power plays - is up for grabs because no country inside that space can dominate it. So America must use its his- Of any other state toric window of opportunity, before the inevitable decline in its relative strength, to act as stabiliser and arbiter boundaries can in Eurasia. Underpinning the Brzezinski vision is fear of an anti-American bloc

even France or Germany. Sensitive to the charge frontiers that he is a gratuitous Russophobe, Brzezinski is care-ful not to exaggerate the ه يحدا من الاعلى



Brzezinski, pictured in 1978 while national security adviser

likelihood of such an axis. "A coalition allying Russia with both China and Iran can develop only if the US is ehortsighted enough to antagonise [both] simulta-neously," he writes.

Perhaps he need not have been quite so careful, given recent challenges to US authority: Franco-Russian of Iran, and the abstention by France, Russia and China in a key UN vote on Iraq.

But this fear of driving potential adversaries into one another's arms is what underpins the most controrelations with Iran and cultitransformation from multi-

containing Russia within its legal mean indifference grouping Russia and one or to what goes on more of the other Eurasian players - China, Iran, or within those

national empire to modern, European state with clearly defined borders. The US should zealously safeguard the independence of Ukraine and the energy-rich lands around the Caspian. This woolng of China and

Iran makes perfect sense if one makes the very large assumption that Russia, of all the Eurasian players. remains the most incorrigihly anti-western. But the jury is still out on

this question. With Russia,

no less than with Iran or China, western policy hopes for the best while preparing versial tenets of the Brzezin-ski doctrine. The US, he says, should improve its have surged to recent days with the change in rhetoric vate China. Russia, mean-while, should he guided ington; but for at least one towards an Ataturk-style part of Iran's elite, antiwesternism is a question of The danger is that principle, not tactics. And of the two countries seen by the Pentagon as potential regional challengers next century. China seems more dstermined, and better placed, than Russia to build up the necessary mixture of economic, military and ideological power.

Yet unusually among US scholars, Brzezinski takes The Grand Chessboard is seriously the romantic, mystical versions of Slav nationalism that find their purest expression in Russia's opposition hut also command infinence in the Kremlin. At times he is a sort of mirror

antee against a resurgent Bear, he fleetingly suggests Russia's break-up into a "loose confederation" of Eastern states. Rch as their language may be in unprint-able expletives, this proposal will leave many Russians lost for words.

There is another, more serious risk in a policy that treats Eurasia as a geopoliti-cal chessboard ind places overwhslming emphasis on confining the influence of each state to its ligal bound-aries. The danger or rather temptation, is this containing Russia or any other state within its legal poundaries can mean indifference to what goes on within those

For anyone concerned principally with containment, the Checian war which took place within Russia's legal frontiers and drained Moscow ability to project power and further was a windfall, not a tragedy. This may explain why the Washington establish-ment was, with a few noble exceptions, so armoved by a conflict whose attensity and exceeded the much-discussed horrors of Boshia. In the words of two young reporters who observed the new Eurasian reality from bombed-out Grozny: "The western reaction to events in Chechnya was apart from a few carefully obvased comments about excessive use of

force, silence." With or wifnout an Ataturk, the construction of well-defined modern states out of multinational empires is often a bloody business for minoritles in the wrong place. And that is something that would-benlayers of geo-political chest in the con-fortable salors of Washington or anywhere else, should always bear in mind

available from FT Bookshop by ringing +44 181 324 5511 or far credit card details to +44 181 324 5678 (post and packing £1.50 in Europe).

*From Chechnya: A Small Victorious War by Carlotta image of the Slavophiles: Gall and Thomas de Want their dreams are his night- Pan Books, London 1997

FINANCIAL TIMES

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Thursday December 18 1997

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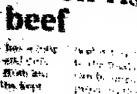
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Unfinished task in Bosnia

announcement on the future of (for example) Carlos Westenthe US engagement in Bosnia dorp, the international commubefore the weekend. He will nity's High Representative, had have to choose his words with to impose a citizenship law on care, since by the spring he must convince Congress of the unable to agree. But his authorcase for keeping US troops in ity to do so is not contested, and Bosnia after next June - by it is far from true that nothing which date he promised to has been achieved. remove them when deciding to keep them there beyond the original deadline a year ago.

Mr Clinton is believed to have come round to the view, long held by hie European allies, that it would be wrong not to leave some international troops there after the mandate of the present Nato-led force expires, and he knows that the Europeans are determined not to be left there hy themselves, with US forces only in the air, as in the unhappy days of the UN protection force. But he also knows US legislators have no sympathy for this attitude, and that their patience with the whole

operation is wearing thin. He will probably put the emphasis on the US's responsibilities as leader of Nato, thus preparing the ground for it to play its part in implementing a decision to be taken in due course by the alliance as a wbole. What he must not do is paint the situation in Bosnia so black as to encourage those critics, such as Henry Kissinger. who say the Dayton peace accords can never work and should be replaced by a simple endorsement of partition.

It is true that many clauses of the accords remain imperfectly implemented or not at all. It is true that Bosnia is still divided into three largely homogeneous ethnic areas with nationalist task force, Its departure would leaders who are most reluctant be tragically premature,

Bill Clinton is to make an to co-operate, so that this week which the parties had been

in fact the international community has had a great success this year in breaking Radovan Karadzic's control of the Serb Republic and enabling Serb voters, at least in the western half of the zone, to show that they preferred the leadership of the more co-operative Biljana Playelc. While few displaced Moslems or Croats have been able to go back and live in the Serb zone, many can and do travel back and forth to Banja Luka and other places in the area Mrs Playsic controls, and telephone communications across the lines have been restored.

In the Moslem-Croat Federation itself much of the infrastructure has been rebuilt and housing repaired; and non-ethnic opposition parties won more than 20 per cent of the vote in recent local elections.

Bosnia is not Cyprus, where UN forces man a green line keeping two communities completely apart. It is a country disfigured by terrible violence, whose people are slowly gaining confidence to resume normal contacts thanks to the presence of an international authority backed by a visible military force. The military element can be reduced next year, and should be reconfigured to give more direct support to the unarmed international police

More, please

Yesterday's cuts in income tax crisis of solvency that afflicts are a welcome volte-face from the system. The authorities Japanese prime minister Ryu- appear dangerously vague about taro Hashimoto. Taken together how they will deploy the pro-with the proposal to float ceeds of the bond issue. It is Y10,000bn-worth of lOUs to sup- vital that the money is not used port the banking system and indiscriminately in support of the moves to liquely the real the terminally weak as well as the government is inching towards a better understanding of the nature of Japan's economic problems. But it has yet to grasp their scale.

The aggregate fiscal boost from the tax cuts and additional public spending amounts to just under one per cent of GDP. That will not compensate for the damage done by the April sales tax increase. And since the income tax reductions are for a will anyway be saved.

The stock market reaction to

yesterday'a announcement was

understandable but over-optimistic. The government needs a further financial sbock to prompt it into the bigger fiscal boost that will be needed to restore business and consumer confidence. The lesson of the abortive fiscal expansion of 1995-96 is that the domestic economy has to be allowed to huild up sufficient momentum single year, a high proportion to withstand the fiscal tighten-On the banking front, mean-time, there is no indication of a needed to ensure that Mr Hashibroader strategy to address the moto grapples with this point.

Lone parents

in the UK, Tony Blair has tasted only a proportion of mothers on the cold steel of government benefit. with last week's backbench revolt over cuts to lone parent benefits. in the US, states working hard to "end welfare as we know it" are also discovering there is a price to pay for this work. It is open to all parents brave ambition. There are parallel lessons being learnt on both sides of the Atlantic.

Britain's Labour government found its MPs in revolt thanks initially to its decision to stick with the ontgoing Conservative government's spending plans. This meant that the abolition of lone parent premiums, already pencilled in by the Tories, had to go ahead. But there was important symbolism to the move as well. Work not welfare, self-help not dependency, is the theme that Mr Blair - like President Clinton - wants to mark his government.

Reducing benefits for lone mothers in the UK thus sends an important monetary and political signal: that ministers do not wish to encourage lone parenthood. They do wish to encourage work. Hence the not least because it needs to be new deal" for lone parents, providing them - at present on a voluntary basis - with the job search advice that can deliver

Mr Blair's difficulty, however, is the gap between rhetoric and reality. The benefit cuts, including the already established freeze for existing claimants, insufficient. will affect all lone parents, lowering their standard of living. Some £700m, maybe even more, is likely to be saved over the

lifetime of this parliament. The "new deal", by contrast, costs only a fraction of that -2200m over three years - and ric will need to be matched by will offer job search advice to resources.

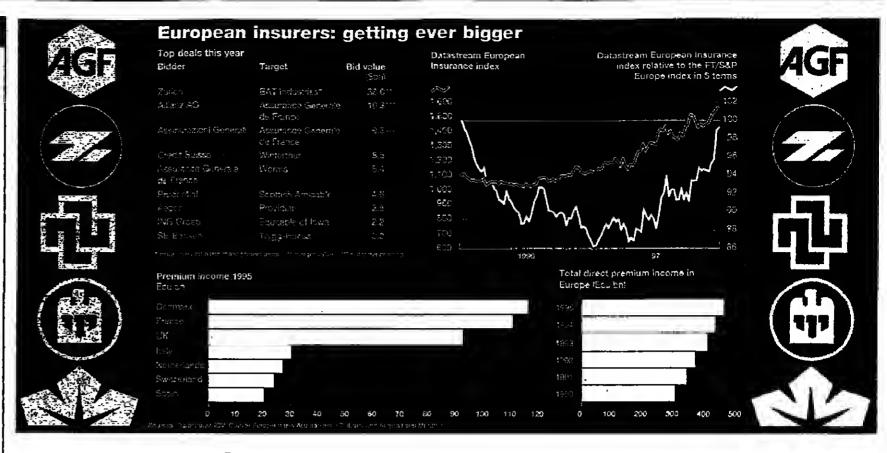
in addition, the extra £300m announced in the green budget for after school child care clubs is poorly targeted on lone mothers attempting to get back to working day. Much more child care will be needed if a large acale transfer to work is to

become a reality. Which brings the parallel with America. The US programme is very different from the UK's. It aims to fix a broken system that trapped lone moth ers on welfare in a way that the UK'e benefit system never has. It is compulsory. And while the programme varies by state, it is aiming in some cases to drive lone mothers back into work or work-related activitles with babies as young as twelve

But to make it work, states are discovering they need a big expansion of child care - plus health care and transport costs This is proving costly to deliver, extended to the working poor if new cases and ex-welfare recipients are to be prevented from falling back into the welfare net. The US, too, is discovering a gap between rhetoric and reality, which the states have started to address, but so far on a scale that is likely to prove

The lesson from both sides of the Atlantic is that real welfare reform is not a cheap option or an exercise in cost-cutting. It may be a far better way to spend taxpayers' money. But to achieve anything lasting, rheto-

COMMENT & ANALYSIS



Safety at a premium

Insurers in continental Europe are growing by acquisition. Christopher Adams weighs up the pros and cons of this strategy

needs fully protected by the family or tribe - Robert de Smet, Trait Théoretique et Pratique des Assurances Maritime

ontinental European countries pride themselves on being highly civilised, so it is perhaps no surprise (considering Mr de Smet's thesis) that in Europe, more than elsewhere, the need for insurance - or at least the activity surrounding its provision - is growing exponentially.

The finishing touches are now being put on a deal that would create the world's second largest seems to be on the verge of agreeerali to take control of Assurances Générales de France.

ance business, while Credit Suisse has created a powerful new SFr12.8bn acquisition of Winterthur. And as if all that were not enough, the French government is planning to privatise Gan, France'a troubled state-owned insurance company. With so many companies get-

ting bigger and more diverse, it is tempting to believe that compastruggle for market share that only those with the greatest financial muscle and broadest geographical spread can survive. But will increased size necessarily lead to higher profitability? Speak to those involved and they say the reasons for deal-

Primitive peoples discovered no France's Axa, which acquired its panies. This is providing another need for insurance, finding their recently privatised but less efficient rival UAP last year.

"Technology enables you to do things on a much bigger scale than before and regulatory barriers are coming down. Further unification of the European market is going to force companies to think at a European level and not only in terms of a single currency.

As companies look to take advantage of these trends, they see a thriving market. Europe'e insurance business is growing at some 6.8 per cent annually and is worth more than £330bn in premium income, according to the Comité Européen des Assurances, a trade association. Insurand the continent's biggest ance sales have outpaced ecoinsurer. Munich-based Allianz nomic growth in most countries and have risen from 4.9 per cent ing with rival bidder Italy's Gen- of gross domestic product in 1991 to 7 per cent in 1995.

Competition in the business, Only a week ago, AGF itself bowever, has intensified, cutting global service, again feeding the made a FF32bn (£3.24bn) margins and making it harder for trend towards consolidation. the conglomerate that owns 1994, the European Commission Athena, another French insurer. ordered EU member states to Zurich, the Swiss-based insur- abolish fixed tariffs and policy ance group, bas announced a terms, making it easier for new £23bn merger with the financial entrants to compete. Premium services arm of BAT Industries, rates have begun falling in many the UK-based tobacco and insurparts of the German and French non-life markets as foreign insurers have stepped up efforts to "bancassurance" force with the snatch business from domestic rivals, in motor insurance, competition has come from low cost "telesales insurers", who cut out agents and brokers.

Competition is also coming from people who used to be considered outside the sector altogether. According to a report by McKinsey, the management connies are engaging in a titanic sultants, banks bave made inroads into the life assurance business, hoping to exploit the growth in unit-linked products that provide an annuity income for people in old age. Demand for personal pensions is growing fast As the boundaries separating making are clear. The financial insurance from reinsurance, services industry is consolidating asset management and investall over the world," says Henri de ment banking have begun to

reason for insurers to diversify and get blgger,

others, insurers have been seeking to create large asset management groups. Axa is the second largest asset manager in the world and Zurich has acquired funds expertise in the US through the purchase of Kemper investments and Scudder, Stevens & Clark. The recent trend towards "bancassurance" has been most successful in France,

The blurring of boundaries has extended to commercial insurance markets too, where multinational clients are beginning to insure themselves, demanding cover only for big financial losses and taking insurers into the areas of capital provision and investment banking. Companies are providing an increasingly

competition diversify out of of whisky or beer at the super-domestic markets in order to market, be says, the effects of life assurance and pensions spread the risk of volatility there. consolidation were almost unno-Some analysts believe the introduction of a European single currency will accelerate this process because it will make it easier to buy and sell companies across borders. The euro will also allow fund managers to offset pension liabilities with assets from anywhere in Europe without incurring exchange rate risk.

As a final reason to get bigger, technology creates economies of scale. "Size does bave its advantages: greater use of automation, tighter control of expenses and better buying power. Technology is used for all kinds of purposes. You can set up direct monitoring of losses on personal computers as state provision is scaled back. and use imaging software to handle claims better," says Stephen Dias, insurance analyst at Goldman Sachs.

To compete with hanks and

where euch ventures now account for half of all life sales.

Yet set against all this, there is Castries, bead of finance and blur, many others are rushing in a curious fact: there bave been investment management at to compete with insurance com- few blg insurance mergers in report by Swiss Re, the Zuricb-

that companies do increase profltability as they get blgger. indeed, those mergers that have bappened bave not been especially successful. Some analysts point to the acquisition by Allianz of France's Navigation Mixte's insurance activities in

nesses that performed badly. Merged companies can boost profits through cutting costs, But scope for cost-cutting is far greater at a national level between two domestic rivals -such as the UK's Royal Insurance and Sun Alliance, which merged in 1996 - than it is between companies based in different countrles with few overlapping compaoies cannot generate the

1989, saying it overpaid for busi-

Some mergers can boost profits if the customer is barely aware of the change. Micbael Sundman, head of corporate development at Baloise, the Swiss-based insurer. uses the drinks market as an example. There, family-owned companies under pressure to supply supermarkets at discount squeezes margins, prices rushed to merge with each companies face other in the mid-1980s. For the increasing pressure to customer buying a certain brand

> ticeable. It made little difference who owned the brand. But insurance is different. In continental Europe, most business is sold through tied agents. not supermarkets. While costly, the agents build personal relationships with customers. Combining salesforces or altering the brand could damage the busi-

Lessons can also be learnt from tbe insurance business elsewhere, notably the US. in the non-life US insurance market, where intense competition and sluggish premium growth have fuelled consolidation for much of the past decade, smaller insurance companies have gained market share at the expense of larger

The lessons of the US now are almost the reverse of what is happening in Europe, suggests a

Europe to provide solid evidence based reinsurer. "Because of low market growth, the large traditional insurance companies are in the process of transforming tbemselves from insurance 'supermarkets', offering everything to everyone, into groups of specialised companies."

Growth and size are not the decisive factors for the bottom line," says Swiss Re, "It is the right business mix, level of capitalisation and leadership which have proved to be more decisive." That does oot necessarily prove

bigger is worse. But as compa-nles get bigger, the risk increases that they may lose control over the details of underwriting. Although smaller, more focused same administrative savings as larger ones, they can ensure that better risks are selected by paying high performance-linked commissions to fewer agents.

Furthermore, some analysts argue that the regional differences between Europe's personal insurance markets are still too great for any real cross-border synergies. Monetary union on its own will fall far short of providing the economic and legislative countries, for example, customers can only claim back tax on life policies they have bought from local suppliers.

Arguably, there are simpler waye to increase profits than buying companies across borders and becoming huge. For instance, the investment portfolios of many Italian and French companies still bold extremely high proportions of lacklustre real estate. Spinning these off could yield more tangible henefits. Only one insurer so far, Italy's INA, bas done so. The gains in its share price have been astronomi-

in its most primitive form, insurance is an exercise in controlling risk. In bidding expensively for foreign acquisitions, some European insurers seem to be taking on risks they might frown upon if undertaken by

·OBSERVER

High-level humility

Japanese premier Ryutaro Hashimoto caught practically everyone napping with his tax cuts, announced at 10.30am The once-mighty finance

ministry had laboured through the night to turn Tuesday's budget proposals from the ruling Liberal Democrat party into practical plans. At 10am yesterday it had to start again. The Economic Planning Agency cancelled a press conference called to explain what was going on, as it no longer knew.

Eisuke Sakakibara - "Mr Yen" - the powerful minister for international economic relations, was wheeled out to illuminate the switch from a tight fiscal policy. It wasn't easy. Nine hours after the amnouncement, he wasn't entirely familiar with some of the numbers. "This is a political decision. I found out at 10.30," be admitted cheerfully.

Did he mind that the ministry was apparently not consulted? Did this smack of shambolic government? "We are just petty bureaucrais." said the man whose words can move markets. We always follow the brilliant leadership of the government," he added with a huge grin. "The leadership of Mr Hashimoto this morning was brilliant."

The brilliant leader himself said he'd been inspired to the apparent U-turn while hob-nobbing with other Asian leaders in Kuala Lumpur over the last few days. He didn't explain exactly when the conversion occurred, but his plane from Kuala Lumpur did land late on Tuesday.

Sweetie

■ Malaysia's austerity package is breeding a siege mentality. Prime minister Mahathir Mohamad has complained that, despite economic hardship, people are plonking more than one spoonful of sugar into their coffee. "Why the need for two, three spoonfuls? One spoonful is enough," he protested. Is this a new strategy to keep

Malaysia out of the clutches of the International Monetary Fund? One spoonful a day keeps the IMP away.

Library booked

■ President Bill Clinton may be Arkansas' favourite son, but there appears to be a limit to the sacrifices the state capital Little Rock will make on his behalf. Citizens objected to plans to

raise the local tax on hotels and restaurants to help buy the site for his future presidential library, even if there was

something appropriate about using the "hamburger tax" to honour the Big Mac-guzzling

The town board has now turned to the president's second. favourite leisure pursuit: it's now going to use some of the money from a bond issue raised to improve the city's golf

Lethal yawn

 Nato has a new weapon against Russia. At Nato's joint council with Russia yesterday, US secretary of state Madeleine Albright told Russian counterpart Yevgeni Primakov her "overarching strategic objective" was that "Russia should ultimately become bored with Nato". Threats of mass destruction are out, tedium is in.

Togetherness

 A handy bittle book has been published this week in France -Alternance et Cohabitation Sous la Cinquième République analyses "cohabitations" between French presidents and governments of different political complexions, It's timely, given the current tenure of centre-right president Jacques Chirac and centre-left premier Lionel Jospin. It's also rather courageous, given that the

publisher is the state-owned Documentation Française.

suggestions about bow to cut the presidential term from seven to five years. As if this isn't a heavy enough hint, the author. lawver and constitutional thinker Jean Massot, recalls that Chirac'a icon General de Gaulle did not believe cohabitation would survive, and would bave been "surprised and amused"

Ivory power

■ Vietnam's elephants aren't helping their chances. Numbers have fallen from 2,000 to 150 in 30 years of large-scale bunting, land-hunger and official dithering over conservation. Now a herd of about 30 has rampaged through Dong Nai province, destroying crops and trampling two people to death.

Officials are trying to come up with ways to keep humans and elephants apart, while villagers demand action, even if that means shooting the whole lot, cutting the country's elephant population by 20 per cent. It's a far cry from the days of the Vietnam war, when elephants carried arms and ammunition through the jungle. One was even awarded the country's top communist military bonours. No-one's getting close enough to pin medals on the tuskers now.

Financial Times

100 years ago The Bulgarian Budget

Sofia, 17th Dec. In the course of the general debate on the Budget in the Sohranje to-day, the Minister of Finance stated that, in spite of the wholesale devastation caused by the recent floods, he was able to assure the House that the distribution of property and of the means of production were such that the country could bear the strain of these visitations. The Budget for 1898, he continued, showed an increase in the expenditure of 1,091,090f, which would be covered by the revenue derived from existing taxes.

50 years ago

Expansion In Nickel

Nickel sales are still expanding, and world deliveries of Canadian nickel in all forms for the year 1947 will be in excess of those of 1946, states Mr. Robert C. Stanley, chairman ond president of the International Nickel Company of Canada, in his survey of the company's activities for the year. Mr. Stanley says Canadian nickel deliveries this year in all markets will approximate those of the industry's greatest peace-time year of 1937, and shipments in the United States and Canada will show an increase of about 50



FINANCIAL TIMES

Thursday December 18 1997

Singer & Friedlander Investment Funds 0500 62 62 26

Israeli dispute could blight Albright talks

By Judy Dempsey in

A bitter dispute between two senior Israeli cabinet ministers thrsatens to overshadow today's talks between Madeleine Albright. US secretary of state, and Benjamin Netanyahu, the Israeli prime minis-

The Paris talks were planned to establish a timetable for a second redeployment of Israeli troops from the West Bank. But Israeli officials said a breakthrough was unlikely. because the cabinet had not agreed the extent of Israel's security interest sphere". which will influence the size of the area from which Israel will

"We are not going to present maps to Albright," a seulor Israeli official said. "Since there is no decision about the maps, we will not be discuss-

ing percentages of land." Ariel Sharon, infrastructure 3 per cent of the West Bank. minister, wants a 10-kilometre security zone east of Israel's

western side of the Jordanian horder. He believes Israel should have full sovereignty over the zones and also that all 144 Jewish settlements should be included in the security

Yitzhak Mordechai, defence minister, believes the security zones should be narrower. He has also suggested that 42 settlements should be excluded from the security sphere, a proposal that has angered the settlers, who have threatened to bring down the government.

Officials said Mr Netanyahu could use the settlers' threat to try to persuade Mrs Albright to accept a limited redeployment, although the US wants Israel to pass at least 13 per cent of land to full Palestinian control. Israel handed 2 per cent back to the Palestinians last March, but it was attacked as inadequate by the Palestinians. The Palestinians control

Mr Netanyahu is likely to survive any attempt by the set-

tion partners. The Third Way. a coalition partner, said it was rallying support from the opposition Labour party to fend off the settlers' threats if the issues of security zones and a second redeployment were put to the vote.

If the zones and redeployment were approved, a troop pullback would not be implemented for a further six months. "We want the Palestinian Authority to fight ter-ror," an Israeli official said, adding that Mr Netanyahn would present Mrs Albright with a list detailing how the Palestinians should combat

The Palastinians have refrained from comment, waiting to see if Washington would exert pressure on Mr Netanyahu. During a visit to Israel this week, Stuart Eizenstat. US under-secretary of state of commerce and industry, urged Mr Netanyahn to

could call **US** meat

The threat, made in an unpublished report already

The European Commission, the EU's executive, said yesdecide on a ban but they would "very seriously" take into account the views of the inspectors. Representatives of the US in Brussels said last night they were still studying the report and could make no ent on it.

This has caused several disputes. Earlier this year the World Trade Organisation found the EU broke world trade rules when it banned hormone-treated beef from the US. An appeal verdict is expected next month.

pre-1967 borders and a 20-kilo- tlers to win support from the **GM** slows Thai expansion as Asian car sales collapse

By Ted Bardacke in Bangkok

General Motors is sharply reducing planned production at its new plant in Thailand and will lower its initial investment in the country hy up to one-third because of the collapse in the south-east Asian vehicle market.

When the US vehicle manution 19 months ago to build a \$750m Thai plant, it planned to produce up to 100,000 compact cific region. But Ron Frizzel, president of GM Thailand, said the company would now delay makers that dominate the start-up by several months into 1999, produce only 40,000 ket bave stopped production investment to around \$500m.

"This is a deferral of investment," said Mr Frizzel. "We are trying to be realistic [and] match capacity to demand." He said the plant could quickly

tion when the market recov-ered and that GM expected the market "to be on the recovery slope when we bring the product to the market".

Vehicle sales in Thailand will be down 40 per cent this year and look set to fall to just over 200,000 next year, according to industry analysts.

Mr Frizzel said vehicle marfacturer announced its inten- kets in other south-east Asian countries faced the same problems as Thailand, while the weak Japanese yen and the Opel cars for the Thai market soft Australian dollar made and for export to the Asia-Pa- exports to those countries diffi-

> Some of the Japanese carsouth-east Asian vehicle maroutput in Thailand this year. More capacity will come on stream next May with the pick-up truck plant.

opening of a Ford-Mazda GM's Thai investment was

another \$250m from its global parts suppliers. Mr Frizzel said those suppliers remained committed to their Thai investments, although they would probably scale back as well if they could not attract other customers in the region.

Thailand's economic downturn was making the construction of a dealer network more difficult, Mr Frizzel said, although he believes GM will be able to woo some existing dealers of imported cars to GM. But he said the Thai government's recent decision to double the duty on imported cars was going to make it diffi-cult to offer those dealers a

full product line. GM's production costs, particularly on labour and ntilities, were likely to be substantially lower because of the devaluation of the Thai baht. Savings would be partially diluted by higher prices for imported parts that GM had to source outside of Thailand.

to have been accompanied by Andersen partners seeking demerger

Continued from Page 1

merce are set out in the firms' constitutions. If the arbiter, who could take up to a year to rule, allows the breakaway, Andersen Consulting could have to pay compensation run-ning into billions of dollars.

A demerger would mean from being part of the higgest of the Big Six accountancy firms to being the smallest, if

regulators allow planned mergers to go ahead. But Mr Wadia said yesterday be had a clear strategy for organic growth. Nothing will stop Arthur

Documents issued by Andersen Consulting paint a picture of conflict since the foundation of the two business units in 1989 and make allegations of unfair competition against its own sister firm.

"Whether or not market forces have driven this strategy for Artbur Andersen, it does not excuse the breach of our formal internal agree-

Andersen having a great ments," said Mr Shaheen. Arthur Andersen was accused by its sister firm of planning a "dramatic expan-sion" in business consulting in areas such as business transformation and technology integration where Andersen Consulting was the market leader.

FT WEATHER GUIDE

for ban on imports By Michael Smith in Brussels European Union veterinary

EU vets

inspectors are warning they will recommend a ban on imports of US fresh meat and poultry unless US authorities improve methods for detecting "medicinal products and contaminants" in food from

sent to Washington, will raise the temperature in a fast growing dispute between the US and the EU over food safety. It comes less than a week after Washington restricted imports of European beef and lamb.

An RU ban on fresh mest would halt tens of millions of dollars of US sxports. Although the EU already blocks the import of hormone treated beef, it still buys about \$35m of untreated heef a year from the US as well as substantial amounts of pork and

poultry.

The EU report, drawn up by four senior inspectors follow-ing a 10-day US visit last month, finds "very serious deficiencies" in the American programme to test for residues of antibiotic, antibacterial and other substances in live animals and animal products.

The inspectors found proportionately fewer animals were checked than in the EU and that they were subjected to significantly fewer substance tests. Some analytical performances were "completely inappropriate to meet EU standards". The report says that, unless improvements are made within six months, the EU's food and veterinary office "would have to recommend the suspension of at least fresh meat and poultry from the US".

Tha EU experts' findings highlight widely differing approaches to food safety. Brussels has adopted a more cantious and interventionist approach than Washington especially since the outbreak of BSE.

Letters, Page 10

Europe today some northern parts will have snow. as will Finland and the Baltic states. Eastern Europe will stay dry but

remain sub zero. South-ea-Europe and the eastern

rranoan will have early rain, with spells of sunshine and scattered showers later, but the northern Balkans may have some snow later. North-western parts of Europe will be wet and any remaining snow will turn to rain. The Alps will have some heavy snowfalls. France and the Iberian peninsula will have heavy rain, but it should clear to brighter, shower conditions later.

Five-day forecast

The west and north-west of Europe will stay mild, unsettled and often windy, with a series of Atlantic fronts bringing rain at times. The Mediterranean will also have rain and some thunderstorms. Eastern Europe and Scandinavia will be dry, but snow will return, to be followed by more snow by the weekend.

TODAY'S TEMPERATURES

Marimum Celsius	Berung Belfast
Sun 24	Belgrade
Sun 31	Serim
Foir 24	Bermuda
Rain 8	Bogota
Shower 9	Bombay
Sun 18	Brussets
Fair 27	Budapest
	C.hagen
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Rain 19	Caracas
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Lufthansa

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Hangolini Roykjavii Rio Rome Seoul per Stockholi Strasbou Sydney Targey Targey Targey Targey Targey Vance Vencount Vencount Vencount Vencount Warsow Washingi Wattingog Thunder 30 Fair 1 Shower 4 Fair 32 Shower 20 Fair 19 Cosy clinch

THE LEX COLUMN

An ignominious ending to a rare French hostile bid is looming. While the details remain murky, it seems Allianz has struck a deal with rival bidder Generali over AGF to avoid a costly hidding war. This may be good for Allianz and Generali shareholders, but not AGF's. With an offer little above net asset value, Allianz will gain a majority stake in AGF cheaply, beefing up its presence outside Germany, particularly in industrial insurance and asset management. Generali's main consolation prize may be AGF's and Allianz's controlling stakes in German insurer AMB, at not much more than market value AGF shareholders have reason to

cry foul. The French government's hostility may have influenced Generali's withdrawal from the fray. And its rival suitors seem also to have ended up suspiciously close. Furthermore, given the cosy relations between Allianz and AGF management under this sweetheart deal, real cost savings may never appear. Such a muddled outcome should he no surprise, given the French finance minister's worryingly dirigiste aim of only consolidating the sector in an "orderly and equitable way". Moreover, shielding companies from hostile takeovers removes a healthy incentive to

Japan's latest efforts to revitalise its economy still look insufficient. But at least the government's ssessment of the problem is finally catching up with reality. In the current climate of pessimism, the various tax ents will not suffice to revive spirits. Consumers are as likely to save as spend a one-off tax fillip. But the climb-down by Ryutaro Hashimoto, the prime minister, from his previously implacable opposition to tax cuts does represent progress.

So too does the Bank of Japan's decision to support the yen in the currency markets. It shows recognition that Japan must stop the debilitating cycle of competitive devaluations in the region. Whether it will succeed is another matter. Without probably lies with share prices. If age as a buying signal, foreigners commitment to agrochemicals.

bility. A glowing virtuous circle will becken. But other than in the very short term, a gloomy spiral in the yen and Nikkei still looks more

Cookson Group

Spending nearly cam to ease out a eader whose virtues had passed their sell-hy date looks expensive. In Cookson's case it is money well spent. The one-off payment is part of the bill for reforming top management. This could save £2m a year and will create a conventional non-executive chairman/chief executive structure. Remaining senior executives are on two-year rolling contracts - not perfect, measured against Greenbury's one-year ideal, but no longer abnormal. A similar streamlining exercise can now be done for the group, unimpeded by sharp intakes of breath from the man who built it up.

Zeneca

Zeneca's \$500m purchase of Ishi-hara's US fungicides business looks like a neat bargain. It plues a gap in the UK group's fungicide portfolio, traditionally a weak area, and complements its recently launched Amistar product. And twice sales is an attractive price for a business with margins of 18 per cent, espesupport from other central banks, it cially since Zeneca should be able is unlikely to. Even then, yen sup- to rean up to \$30m of cost savines. port makes sense only if it plays Moreover, demand for modern agrowith the economic grain. And a chemicals is growing at 10-12 per stronger yen does not appear in cent a year, comparable to that for The acquisition should weed out

Japanese investors take the pack- any lingering doubts about Zeneca's

Though purists have argued for a demerger from the dominant pharmaceuticals side, there are good reasons to keep the two under one roof. New technologies, such as genetic engineering, are bringing the two industries closer together. And, as world number three behind Novartis and Monsanto, Zeneca has a much stronger market position in agrochemicals than it could hope to gain independently in pharmaceuti-

The trick now will be to find similarly good deals for the drug division. Despite a flurry of recent product launches. Zeneca's research pipeline could do with some filling out for the millennium. That should

Could Canada become the next target of the currency speculators? The notion seems faintly ridiculous. This, after all, is a G-7 economy, growing at a brisk 4 per cent with minimal inflation, reasonable unemployment and a federal budget surplus. It all sounds rather like its larger neighbour to the south.

But consider the following.

Unfike the US, Canada has a significant exposure to metals, timber and other commodities whose prices and volumes have been hit by a slump in Asian demand. That is already depressing exports. Meanwhile, strong domestic demand has been sucking in imports. This has transformed last year's current account surplus into a deficit of nearly 3 per cent of gross domestic product, putting pressure on the currency. This, in turn, prompted the Bank of Canada into a 50 basis point increase in interest rates last Friday, to keep the Canadian dollar above 70 US cents.

The precedents are not encourage ing. By pinning its colours to the mast, the central bank has given speculators a target to shoot at. The last time the central bank moved to defend the currency, in 1994/95, it had to raise interest rates by 200 basis points in a matter of months, choking consumer spending and thus domestic growth. With luck. the Bank of Canada will not have to act as aggressively this time. But given the chance of further interest rate increases and the uncertain impact from Asia, neither Canadian bonds nor the stock market look

See additional Lex comment of Coats Viyella, Page 19

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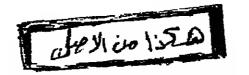
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FINANCIAL TIMES SURVEY



SCOTLAND

A nation prepares

for devolution

Chailenges and warnings among the successes

CHESHIRE

REPORTING BRITAI



EU REGIONAL AID Interview with the man

in the hot seat



Thursday December 18 1997

INWARD INVESTMENT Wales now has a strong

components industry Page 8

Bodies established to oversee urban development in the UK attracted waves of criticism. But time has been a great healer, says Alan Pike

UDCs prepare to sign off with much to show

Crudely painted slogans proclaiming its RDAs, it provokes no controversy "Undemocratic Urban Development Corporation: Out" are seldom seen on inner city walls nowedays. Most of the walls were reduced to rubble as the UDCs executed their mandate to transform the old industrial heartlands.

But time has also demolished much of the bostility that once prompted the slogan painters. Political tensions in the origins of UDCs, now in their final months of life, meant they were never likely to become the most loved of public institutions; but many are signing off having earned considerable respect.

UDCs were set up in four stages between 1981 and 1993. The early corporations faced frequent denunciation as 'unaccountable, unelected quangos", Councils were forced to yield development control powers over large areas of the inner cities to them - inevitably implicating UDCs as agents of the Thatcher government in its frequent battles with local authorities.

Since then, experience has taught lessons to both the UDCs and their detractors. Even the most unapologetic supporters of the decision to establish development corporations acknowledge that initial mistakes were sometimes made; that there was too much faith in the one-dimensional powers of property-led, physical regeneration; and insufficient appreciation of the complexities

Among the ranks of critics, meanwhile, there is recognition that the UDCs have reshaped and revived huge swathes of derelict inner city land on physical and time scales that are both impressive. Lessons pointing to the need for a rounded approach to regeneration are being beeded - this month's white paper (government policy document) setting out proposals for nine new English regional development agencies (RDAs) in 1999 commits the government to "the integration of economic, social, environmental and dem-

ocratic elements" of the process.

The unaccountable, unelected quangos of the early 1980s look less alien and fearsome in the more collaborative late 1990s. Today's typical UDC board, with privete sector members sitting alongside councillors and representatives of other community interests, is a model of the partnership style that is now regarded as essential for achieving successful regeneration. "Business-led" was burled et the early UDCs as a term of abuse; when a Labour government now uses the same phrase to describe

UDCs were from the start intended to have e limited life. Three - Leeds, Bristol and Central Manchester - heve already been wound up and the remainder of the English ones go in March. Currently in the process of producing their final annual reports, the word achievement occurs frequently as the UDCs abandon modesty to review their activities and pass judgment on themselves.

Measured by landscape transformed alone, the term is justified. The 13 English and Welsh corporations have been involved in the regeneration of some 17,000 hectares of land.

As an illustration of what this actually means, Cardiff Bay Development Corporation has been responsible for reshaping around one-sixth of the Welsh capital. Its mission statement is as big as its development area: "To put Cardiff on the international map as a superlative maritime city which will stand comparison with any such city in the world."

· Much as they have been involved in small business start-ups, training, and community ectivities, the large-scale thinking and grand projects suggested by the Cardiff Bay mission statement are the impression that UDCs are most likely to leave on the public memory. There are few corporations that do not office and home building that they have overseen.

Again, taking a single filustration -Merseyside Development Corporation's staging of the 1984 international garden festival in Liverpool involved one of schemes; the corporation's famous Albert Dock development, where the northern Tate Gallery is now housed, involved the renovation of Britain's largest single group of Grade 1 listed buildings.

By last year, the 12 English UDCs had, eccording to government calculations, ettracted more than £12bn of pri-£3.5bn of public sector grant. They are also credited with having created some 187,000 jobs - around 72,000 people now work in London's former docklands, compared with 27,000 in 1981, although argument over the extent to which the immediate locality bas benefited will continue long after the London Docklends Development Corporation (LDDC) has been ebolished

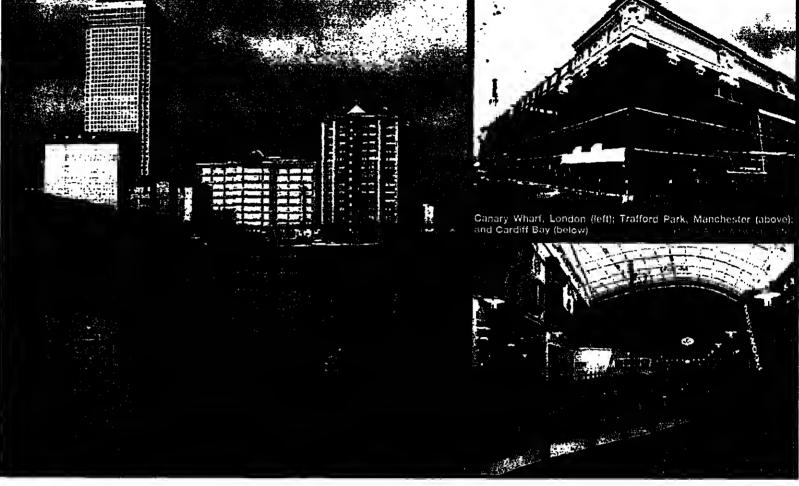
LDDC, biggest of the UDCs and one of the first, mittally met flerce local opposition. Activists in a part of London renowned for its deep community traditions, abused it for building riverside homes that local families could not afford, and for importing financial services jobs for which they were unqualified. In the early 1980s, relationships between the LDDC and Labour controlled docklands local authorities were

close to non-existent. Today, as the emphasis has shifted from confrontation to collaboration, Labour councillor Conor McAuley, deputy leader of Newham council and an have striking flagship schemes to LDDC board member since 1991, conaccompany all the more routine road, cludes: "A balance sheet of the LDDC's contribution to the area would be a complex one to prepare, but it would show that it has been beneficial.

"The LDDC has been through several regimes since 1981. In the early days, it seemed to almost revel in creating fric-Europe's biggest ever land reclamation tion. Now it is much closer to the community and the local euthorities. Basically, I believe it has been a success. It was resourced to do its job to an extent that the local councils would never bave been, and was able to focus single-mindedly on regeneration."

Relationships have improved to the point where Newham councillors are concerned that they may be losing the vate sector investment in return for LDDC too soon. The corporation's regeneration of the former Royal Docks is still coming to fruition, and councillors are unsure whether English Partnerships - designated to take over the LDDC's role in the project - will be able to offer the same expertise.

Prof Patsy Healey, director of the European urban environment research centre at Newcastle University, is - as well as a specialist in the issues with



which the UDCs have been involved a board member of Type and Wear Development Corporation. She, too, takes a positive view.

"We must remember the terms in which UDCs were set up - their role was to undertake e physical transformation. But the Tyne and Wear corporation quickly and successfully linked this physical transformation to wider economic development and social issues

"The need to take such an integrated approach is becoming more widely recognised. I hope the RDAs and other successors to the UDCs will carry it forward, setting an overall, regional strategic direction into which regeneration initiatives can fit. The private sector, as well as the public, now recognises the importance of such a strategic approach."

in March, English UDCs will transfer any remaining assets and liabilities to the Commission for the New Towns an ept choice, since they are themselves successors to the post-war new town development corporations. And, as with the new towns, a final assess ment of the UDCs' unignorable contribution to reshaping some of the biggest cities must await the judgment of

After 11 years of successful business, you should expect some impressive figures.

By the end of March 1998, the original targets set by Government for the Black Country Development Corporation are forecast to be exceeded by 200%.

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UDC output measures: cumulative achievements and lifetime targets

		Land ecinimed (he)		ousing units	File	orapace 200m)	. Re	iructure cade km)	-	Jobs gross)	knyed	rate stroomt htt	Grant- in-aid
	To 31/3/90	Ljietimi j temat		Litetime target	To 31/3/96	Lifetime - turget	To 31/3/98	Lifetime tarpet	To 37,550	Lifetim target		Lifatime targel	Lifedene
London .) . ·					. •						
Docklands	728.4	846.5	19,844	24,036	2,283,9	2,326.8	244.7	284.5	66,683	75,458	6,277.5	7,073.0	1,860.3
Merseyelde	363.2	. 384,0	2,875	3,544	555.0	755.0	84,0	100.0	16,595	23,357	461.0	684.0	385.3
Black Country	314.7	400.6	- 2,914	3,774	826,4	1,096.7	28.3	38.8	15,517	21,440	833.0	1,150.D	357.7
Teesside	434.4	525.3	1,187	1,403	362.2	470.2	26.1	28.7	10,086	10,212	928.9	1,090,3	350.5
Trafford Park	151.7	210.8	283	311	572.1	761.3	37.5	52.8	21,063	25,618	1,012.8	1,560.5	223.7
Tyne & Weer	485.7	-517.7	3,639	4,842	844.5	1,148.2	33.2	42.0	23,473	34,043	937.3	1,260.5	339.3
Bristol	69.0	60.0	676	661	121.0	114.5	6.6	6.3	4,825	4,590	235.0	225.0	78.9
Centrel		٠.			· · .								
Manchester	35.0	35.3	2,583	2,581	138.8	144.4	2.2	2.1	4,944	5,074	372.8	375.8	82 <u>.2</u>
Leeds	68.0	. : 68.0	571	561	374.0	366.0	11.6	11.4	9,066	8,369	357.0	- 333.0	55.7
Sheffleid	239.8	259,6	0	0	358.2	518.2	12,7	15.0	12,747	17,616	577.2	694.7	101.0
Simingham .				. · ·		• .							
Heartlands	75.6	129.1	603	878	165.2	365.9	19.9	37.7	2,253	5,983	174.7	312.2	39.7
Plymouth	10.8	12.7	0	· 93	3.0	16.6	4.4 -	5.0	25	481	0.5	19.2	44.5
Total	2,976.3	3,449.8	35,175	42,684	6,604.1	8,081.8	511.2	623.9	187,277	232,251	12,187.7	14.778.2	3.919.0

Opinion



Regional aid buck stops here

Brian Groom meets Eneko Landaburu, the man occupying one of the European Union's most powerful jobs and who is responsible for a large slice of the EU's budget

occupies one of the hottest seats in the European Union. stantial investment. As director-general for Europe early in the next To qualify, regions must

It is a powerful role. The structural funds increased dramatically three years ago and now take one-third of the EU's budget. Under the Maastricht treaty, "cohesion" - the narrowing of economic disparities - has equal priority with monetary union and the internal mar-

The European Commission, in its Agenda 2000 hudget plan, proposes to maintain structural spending at 0.46 per cent of the EU's gross domestic product. This will provide Ecu275bn between 2000 and 2006, of which Ecu45bn is earmarked for new member-states.

Someone has to pay for that," says Mr Landaburu. The commission plans to cut the proportion of population covered by the regional funds from 51 per cent to between 35 per cent and 40 per cent.

"This is not just because we have an enlargement, but also because we think it more efficient to concentrate It's in line with the policy on competition, that we reduce state aids."

There will be losers - a source of intense concern in the regions. The cash finances things like roads. bridges, telephone lines, training schemes, help for

Eneko Landaburu, from ronmental protection. Conn-Spain's Basque country, tries must provide matching finance, which creates sub-

The proportion of popularegional policy and cohesion, tion covered by Objective 1 he is responsible for the highest category, tightening up regional aid as accounting for two-thirds of new members from eastern 26 per cent to 20 per cent.

per cent of the EU average, a daburu. threshold that would be strictly applied, unlike in the

The result, according to Northern Ireland and the Scottish Highlands and Islands are likely to be among 11 European regions in which Objective 1 status would be phased out. Merseyside would keep it, while South Yorkshire is likely to qualify for the first time. Cornwall is likely to be rejected as too small to qualify - a judgment the county

is reluctant to accept. It is pressing to be redesignated. These likely outcomes are based on provisional data; definitive ones are due early next year. The political battle over who will qualify is expected to continue up to

the Vienna summit at the

end of 1998. For Britain, the new Objective 2, covering areas of industrial decline and rural and urban deprivation. is even more important. In the equivalent categories of the current scheme, covering 1994-1999, 24 areas are receiving a total of £3.6bn - more than double what the UK

gets under Objective 1. "The UK. like other countries, will have a reduction In population covered by Objective 2," says Mr Landasmall businesses, and envi- buru. "ft's difficult to say

depend on the criteria. We want to take more account of unemployment."

UK regions fear they will lose out because the International Labour Organisation joblessness figures which the commission uses put UK unemployment three or four points below the EU average. and because the heaviest British job losses, back in the 1980s may be too long ago to count now.

"It seems to me difficult to have GDP no higher than 75 in the union," says Mr Lan-

"We want to decide the areas through a partnership process with member-states, taking specific situations Mr Landahuru, is thet into account. One idea could be to fix a global figure for coverage of a country's population and within this to say we want to discuss the list with you on condition that priority is given to the worst areas, those much affected by unemployment and deprivation.

"At the same time, we must be vigilant. in some countries there may be pressure to include regions for political reasons. We must not have a political list."

Mr Landaburu says Britain's moves towards greater regional government are "in line with what we support. We believe that we need to have a better democracy in Europe, that to strengthen the political level of regions is a good thing, depending on the willingness of each member-state."

That allows local and regional authorities to have a stronger role in implementing EU programmes. Eventually, he wants to hold strategic discussions with regions and to devolve responsibility for implementing EU programmes, including controls and sanctions,

Europe's 10 richest regions is 4.5 times that of the 10 poorest, a gap which Mr Landaburn concedes has not been my field. It has been helpful reduced. Neither has unemployment come down in the

poorest regions. "At the same time," he says, "if we take the poorest countries we have had success. Ten years ago, the four poorest - Greece, Ireland. Portugal and Spain - were at 66 per cent of average GDP. By 1996, the same four the EU prepares to admit the hudget - would fall from change the ILO criteria were at 74 per cent. This is a als allow us to finance the because there is no alterna- spectacular result. The new member-states, maintive acceptable to everybody regional policy has been a tain a global amount of tool of real convergence."

It works in Britain, too, he believes. "There is impressive use of the money in places such as Merseyside, Wales and Strathclyde, giving them a new hope for the

"Britain has a good administration, one of the best in to us advising about value for money concepts that I am applying in other coun-

The future thrust of BU policy will, he stresses, be on job creation. "It's not easy. You need a good level of environment, infrastructure and education.

"The commission's proposmoney for the poorest regions, and the price to pay for these things is well balanced. We are still involved in the weakest regions in the richest countries: it is important for us not to be only in future. It's not only the the poorest countries. There structural fund money, we is something for everybody."

VIEWPOINT . BY BRIAN GROOM

Regions will need to push for power

The regional development agencies will provide a slow route to elected assemblies. Scotland has shown how to emerge with a coherent plan

Politicians, business people pointy-heads in England's egions should already be planning their new year resolutions. They must cide where they want their future to lie, and go for it. No one else will do it Ministers argue that

more has already been done than ever before to ... niralise Britain. A erfiament for Scotland and an assembly for Wales are on the way, as is a city authority for the capital if Londoners vote "Yes" in a eferendum next May. The vernment is looseningthe straightjacket on local councils, and has unveiled plans for nine development? agencies for the English

Just so. The last of these, however, are something of a come on. The proposals that have emerged from prolonged cabinet turi wars are so limited that the BDAs powers will have to be beefed up quickly after their inception for them to have a chance of success. let alone create momentum towards elected assemblies

Pressure for greater powers is going to have to come from the regions. Whitehall has exhausted itself to reducing the plans to the lowest commo denominator. Regional leaders are, however, goingto have to improve the quality of debate.

Giles Radice, chairman of treasury committee, said before his MPs began grilling officials on the Barnett formula, which .apportions changes in nding around the UK, that their questions were not part of a "backlash"

against Scottish and Welsh

individual merits, the rows over Barnett and over. alleged posching of inward curately, part of an incoherent cry of ... recognition from the English regions that Scottish and Weish devolution poses a challenge for which they are not prepared. *: The argument over inward investment. encapsulates it. Do the

Whatever their

English regions want. Scottish Enterprise and the Welsh Development Agency held so firmly in check that even the comparatively feeble RDAs will be able to compete with them (an unrealistic prospect), or would they rather create agencies powerful enough to match the success of the Scots and Welsh? The advantages the

agencies enjoy go far beyond the ability to produce larger grants from their bigger national budgets. Bob Downes. Scottish business director at Scottish Enterprise, gave the Commons environment, transport and regional attairs select committee an account of the benefits of having a single agency in charge of economic development and training:

Scottish and Weish

Scotland's entire strategy has been built on that, at .. national and local level. linked. It is difficult, for instance, to build clusters of companies in particular sectors without providing and developing the skills. that lie at the heart of those industries.

Yet the RDAs, which will



strategies for England's skills needs, will not have direct control over the 74 training and enterprise comcils. This remains with The only main areas over which the RDAs will have and regional co-ordination of inward investment (ev then the trade department will make decisions on ssistance). In nearly every other area, the RDAs will have to work by persuading local anthorities and other

departments. For those who want to see elected assemblies in their regions, the RDAs will provide a slow route. In north-east England there is talk of creating a. constitutional convention the one which was ultimately soccessful in Scotland. The lesson is that they should start now.

There were gaps in the consensus created by the Scottish convention: the Conservatives shunned it. the Scottish National party pulled out early, and while asw associated lisma represented, the pig battalions were absent. But by going with the grain of Scottish opinion, the convention - which mainly comprised Labour and Liberal Democrat politicians, church people. and trade unionists produced a scheme which has been adopted largely.

By that method, Scotland emerged with a plan for a coherent, more powerful and better supported than the assembly planned for . Wales. It came from below, not by government decree. England's regions should ... take beed of that.

brian groom@FT.com

No 3

Bob Hutchison, lan

REPORTING BRITAIN

Reporting Britain, the FT's regular report on developments in Britain's each month, with the exception of contain a focus on one or more initiatives and the latest inward investment trends will also be

will include apacial focuses on: Transport and the regions;

to regional level.

But is the regional policy

II IN THIS SURVEY

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Overview: The public mood is

The economy: There's a lack of

Finance: Strong performers and their

Devolution: Little energy has been devoted to the study of policy Page 4

Education: A dash for the right ticket

Profile: Gus Macdonald, chairman

and managing director of Scottish

Industry: Electronics lead from the

Masgow: Looking to a brighter

The Highlands and Islands: It's

Statistics: Comparing the regions

Urban regeneration: Railtrack

getting tougher at the edges... Page 5

roffle: Ian Robinson, chief executive

regions will next appear on February 19, and then on the third Thursday of August and January. Each issue will regions, in which economic, industrial, political and social developments will be analysed. New urban regeneration featured, together with case studies

and profiles of prominent schemes and individuals. The February Issue Manchester, Cumbria: urban renewal

Comments on this issue, or ideas for future issues, are welcoma and should be sent to The Editor, Reporting Britain, Surveys Department, Financial Times, Number One Southwark Bridge, London SE1 9HL Fax: +44 (0)171 873 3197.

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decides that wood is good

becoming less acrimonious..... Page 3 ... Page 3

Local government: Change likely to prove expensive. ... Page 7 Quality of life is e key factor ... Page 7 Inward investment Wales: Car components replace

Page 8 es find a seviour fund.

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Scotland

Mood is becoming less acrimonious

A change of government and a poll on devolution have helped to put a spring in the nation's step, writes James Buxton

There has a been a spring in Scotland's step since the general election in May. The coming to power of a Labour government means that Scots are now being ruled by a party which about half of them voted for instead of by one backed only by a minor-

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A Transportation

mornings of the

A few months later came the September referendum on davolution, in which there was a powerful majority for setting up a Scottish parliament and a convincing vote for it having tax-raising

The two events have produced a more relaxed and less acrimonious popular mood. The European Commission's index of consumer sentiment shows that in the second balf of this year people in Scotland have become more confident, against e slight downward trend in the UK as a whole.

The Scots disposed brutally of the Conservatives et the general election, depriving them of their remaining Scottish seats. In the referendum they demolished tha theory - dear to opponents of devolution - that constitutional change was only really wanted by a minority of zealots.

The Conservatives deserve much of the blame for the fect that constitutional relations between Scotland and England are to undergo their of Union of 1707. The Tories used their UK majority to introduce policies in Scotland opposed by most of its

population. The Tories' trampling over Scottish values came as the tles that have bound England and Scotland were continuing to diminish as the British empire in which the Scots and the English collaborated faded further into memory, and the British state - run from London became more intrusive.

Yet the Conservatives presided over a transformation of the Scottish economy. They allowed heavy industries such as steel and shiphuilding to decline, and encouraged their replacement by a manufacturing base dominated by the elec-

tropics plants of foreign In the 1990s, Scottish companies reversed the pattern by which they were the victims of stronger English rivals in takeover battles. Now companies from north of the border such as Stagecoach (public transport), Scottish Power (energy), Scottish & Newcastle (brewing), Johnston Press (regional newspaper publishing) and Stakis (hotels and

the UK corporate stage. Unemployment in Scotland dropped below the UK average during the last recession for the first time since records began in the 1920s. It is now about 6 per cent, only slightly above the UK average. Scotland's GDP per head, which likewise had long lagged far behind the UK average, reached nearly 99 per cent of it in 1994.

casinos) are expanding on

The new Labour administration has been happy to inherit a modernised economy, Alastair Darling, the Edinburgh MP who is chief secretary to the treasury. said recently: "Scotland is a biggest change since the Act country that is no longer afraid of change,"

Yet apart from the new mood and the promise of constitutional novelties, the new Scottish Office team led by Donald Dewar has not made big changes. In its budget plans for next year, Mr Dewar intends to spend a little more on education, keep local government on a tight rein, and reduce the budget of Scottish Enter-But Brian Wilson, the edu- and that of England.

ing the problems of bad schools and poor teaching, whila his decisions on implementing student twition fees are having a disruptive effect on the Scottish univer-

Yet the dominant Scottish Labour party is changing, although its strongholds in Glasgow and Paisley are tainted with sleaze. Senior figures in local government now talk with conviction of the benefits of using private finance to restore crumbling public property.

Mr Dewar can be excused preoccupation with devolution as he presides over the drafting of the bill to establish the Scottish parliament, which should he ready before Christmas. The legislation should become law by the eutumn, with elections to the new body taking place in early 1999 and the parliament getting into action by 2000.

The implications of disentangling England and Scotland are beginning to sink in on both sides of the border, and there have been signs of an anti-Scotland backlash as long-standing arrangements come under public scrutiny.

In October, George Russell, chairman of the Northern Development Company, attacked Scotland for being funded too generously and gaining an unduly large proportion of inward invest-

That prompted the House of Commons treasury select committee to examine the Barnett formula under which Scotland's share of UK public expenditure is calculated, it gives Scotland a fixed percentage of changes in the spending of comparable UK government depart-

The mechanism was set up in 1978 so that the question of Scotland's share of public spending should not always be an issue, and had the aim of eventually achieving convergence between expendiprise, the development body. ture per head in Scotland



Fishing is still important to towns such as Oben Proto: Ashley Ash

This is seen in Scotland as

challenge to Locate in

Scotland, which regularly

wins about 15 per cent of all

the UK's inward investment

and bad a record year in

1996-97 gaining projects

worth £3.1bn. But much of

its success is due to its long

experience and efficiency.

and it may even benefit from

new rules being applied to

new regional development

Is Scotland really chang-

ing as the parliament

epproaches? Recently, Giles

Gordon, the Scots-horn liter-

ary agent who moved back

to Edinburgh from London a

few years ago, complained in

The Scotsman newspeper

about "our national inferior

ity complex, our desperate

desire not to step out of

line", and placid acceptance

implied that would not

man of Scottish Media and

one of the most successful

Scots of his generation,

takes a different view. "The

Scottish parliament will

bring more self-confidence. I

think the whinge factor will

decline substantially and we

will be less inclined to blame

others for our problems."

But Gus Macdonald, chair-

change under devolution.

the second rate. He

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25 per cent more identifiable expenditure per head than England in 1995-96. The formula was applied to a higher base of public spending, reflecting Scotland's greater number of hospitals and universities per capita, the extra costs of far-flung communities and the poorer

health of many of its people. When it was introduced an assessment of Scotland's needs showed that expenditure 16 per cent higher than England was justified, though the starting level for actual spending was set higher at 22 per cent. It is not clear why the Barnett mechanism has not brought

about convergence. But many MPs and econo mists believe there should now be a new review of Scotland's spending needs. Though this could result in a cut in Scotland's £14.5bn budget - possibly of as much as £1.5bn - it would be a harsh UK government that did not phase it in gently.

But Mr Dewar has rejected holding a needs assessment until the parliament is set up, which means that the new assembly could be plunged into dispute with London et an early stage. Meanwhile, Margaret

Beckett, the trade and indus try secretary, is trying to set UK-wide limits to how much extra help development agencies can give to inward investors, in addition to cation minister, shows no But Scotland still received regional selective assistance.

Sir lan Wood, chairman of Scottish Enterprise

Forthright views are put in diplomatic language

If Sir lan Wood has any reservations about the arrival of a Scottish assembly, it is that he fears it could make Scots concentrate too much on domestic affairs at a time when they should be looking outwards.

"If we do that we should opportunity, instead of 'internalising' we would be 'internationalising'." be says. "I'm not sure if the Scottish people realise how fast the world outside is changing."

Sir Ian recently became chairman of Scottish Enterprise, the development agency whose mission includes raising the performance of Scottish business. It presides over 13 local enterprise companies (the Scottish version of the English training and enterprise councils) and runs Locate in Scotland, the highly ccessful inward

investment agency. Sir Ian, who is 55, knows all about internationalisation. He is executive chairman of the John Wood Group, a privately-owned oilfield and engineering services company based in Aberdeen which he created out of the family fishing business in the 1970s. Last year, about half the group's £440m turnover came from overseas operations.

*Our priorities in the Wood Group are technology, globalisation and innovation," he says. "They are the same at Through the local

enterprise companies, Scottish Enterprise provides training and assistance to businesses. The core body in Glasgow concentrates on national

encouraging the electronics sector to put down deeper roots, nurturing the growing number of Scottish biotechnology companies and belping develop an opto-electronics industry Over the last few years, it

has co-ordinated a set of initiatives to increase Scotland's low rate of new company formation, which is beginning to show results. Recently it

> His selection was something of a surprise; the Tories had knighted him

launched Technology Ventures, a programme aimed at commercialising the discoveries of Scottish universities.

in some ways Sir Ian was a surprising choice for the chairmanship of Scottish Enterprise. His political sympathies lie with the Conservative party, during whose term in office be was knighted.

He served as deputy chairman of Scottish Enterprise under the chairmanship of Sir Donald MacKay, whom the new government asked to resign, believing his views on economic development were incompatible with its own, Initially, Sir Ian turned down the offer of becoming chairman, but Donald Dewar, the Scottisb secretary, persuaded him to change his mind.

"Ian has a great sense of public duty, and though be expresses himself forthrightly be is more diplomatic than Donald

MacKay," says an observer. Sir Ian is a man of strong self-discipline; he does not drink alcohol, and he makes maximum use of his time. He spends one week a month outside the UK. plans his diary months in advance, and criss-crosses Scotland indefatigably from his base in Aberdeen. He devotes one ond a half days a week to chalring Scottish Enterprise

Though he is a firm believer in the market economy, he thinks official bodies such as Scottish Enterprise are vital to improving national economic performance. At the time of the interview with the FT he said he would love to see Scottish Enterprise having a budget twice as big as it is - the government would get it all back in increased tax

So he was deeply disappointed when, early this month, Mr Dewar cut the organisation's budget for next year by £20m to £454m, though he said the total was £14m more than the Conservative government had planned.

Sir Ian now wants the network of local enterprise companies to become more cohesive and to co-ordinate their activities more closely, an objective be shares with the government, "Setting np the network with antonomous local enterprise companies was a bold experiment which has broadly worked," be says.

But it's now time we had a Scottish football team which plays as one instead of a Scottish skiing team where everyone is an individual."

James Buxton

THE ECONOMY

Time to bring out the numbers

Richard Adams runs into a statistical blind alley as he checks on Scotland's health

A lack of useful and timely statistics makes it difficult to know how Scotland's economy is performing. Scotland's problem is that

most of its economic figures are lumped together with aggregate UK statistics. Working out separate figures for Scotland's gross domestic product, rate of inflation or retail spending is time-consuming and difficult. Now, in the wake of September's referendum to devolve powers to its own parliament, the need for a proper set of Scottish statietics is press-

Jeremy Peat, the Royal England. Bank of Scotland's chief Unfortu economist, says the Scottish enhance the data available. But, he says, there remain a lacunae in the data that should be filed.

"In order for the Scottish parliament to fulfil its powers effectively, it will require improved analysis and an increased need for better microsets of data," Mr Peat says. The new assembly will need figures to be able to act as a lobby for Scotland in dealing with national and European Union institutions. "I would expect the Scottish parliament to debate Scottish interests in macroeconomic policy, Mr Peat says. .

One long-standing Scottish grievance is that the country is unfairly penalised by tight monetary policies for the greater inflationary pressures of southern England. What figures are available

interest rates being applied by the Bank of England. The proportion of the workforce unemployed and

claiming benefits is 6 per cent in Scotland, compared with the UK's average of 5.2 per cent. Excluding the burgeoning electronics sector, Scottish manufacturing is underperforming compared with the rest of the UK. while the Royal Bank of Scotland'e recently-established housing index shows the rate of price rises in Scotland to be around half the rate in south-east Unfortunately for Scot-

land, having a Scot as the Office has made an effort to UK's chancellor of the exchequer has been no belp. Gordon Brown ceded control over interest rates to a London-based Monetary Policy Committee (MPC), with one member from the Netherlands and another from the US, but none from Scotland.

"The Bank of England's regional agents do what they can to provide regional input, but that input is very limited," Mr Peat says. The assembly will have the power to meet the MPC and to express views on European economic and monetary union (Emu), fiscal and monetary policy. But to make a bigger impact it will need to be armed with relevant Scottish economic data.

Most current indicators suggest Scotland's economy is performing well, if not running as fast as some suggest the country does not other parts of the UK. The

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deserve the higher level of Royal Bank of Scotland'e forecast for 1997 GDP is for accompanied by strong emoan increase of 3 per cent, while the Treasury estimates that UK GDP will rise by 3.75 per cent in the same period.

> Oil and gas production continues to be a significant sector, with the number of fields in operation at its highest point and output rising. The service sector, with strong performances in financial services and tourism, is also growing. But Scotland'e most dramatic success story has been in the electronics industry: the West Lothian region, where most of the electronics industry is based, is poised to surpass Aberdeen, the wealthiest area in Scotland thanks to the oil industry, in

terms of growth. Heavy foreign direct investment in electronics has allowed Scottish exports to continue rising at a time when many other UK sectors have been suffering from the effects of strong sterling. Electronics now account for about half of all Scotland's

Other exporting sectors have not been so fortunate. Exports of whisky suffered a hangover from the strength of sterling, although overseas sales have risen by 50 per cent in the last decade. Agriculture remains a more important sector in Scotland than most of the rest of the UK, with cattle farming hit British beef caused by BSE.

"mad cow" disease. Howaver, only 4,000 of Scotland's 70,000 registered businesses export goods or Foreign Office and defence services outside the UK. Scotland's most important export market is across its southern border. How the result of a referendum to set up a Scottish parliament will affect that relationship remains to be seen.

Last month Alastair Balthe Insider Group, warned that economic nationalism could provoke a backlash Public Sector Borrowing against Scottish companies. Requirement" to \$4.9bn.

tions, and it would be unfortunate if the positive aspects were ontweighed by negative sentiment elsewhere." Mr Balfour said.

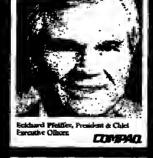
Cambridga Econometrics, an independent consultancy, said that while Edinburgh may gain from devolution, the rest of Scotland was less likely to receive any significant boost. Research by Grimley, the international property advisers, found that Edinburgh was expecting significant demand for office space as a result. "However. there is only 4,000 square metres of modern open-plan accomodation currently available within the capital.

But another think-tank, the Fraser of Allander Institute, based at Strathclyde University, said devolution would benefit Scotland even if the new body used its powers to raise personal income tax by 3 per cent - if workers did not bid up their wages above the rest of the UK labour market to compensate for the rise.

The new executive will have to deal with the complex issue of the level of central government funding for Scotland. Figures published by the Scottish Office show a fiscal deficit of £7.4bn for the last financial year. Total government expenditure in 1995-96 was £31bn, 10 per cent of the UK spending total for a region with only hard by worldwide bans on 8.8 per cent of its population. Tax receipts were £23.5bn, or 8.7 per cent of UK receipts.

The spending total includes Scotland's share of spending. Nationalists argue that UK defence spending is concentrated in southern England, so Scotland's liability should be reduced accordingly. And there is tha North Sea oil and gas revenues, not included in the Scottish tax revenues, and four, managing director of privatisation receipts. Last year the two combined may have reduced a "Scottish

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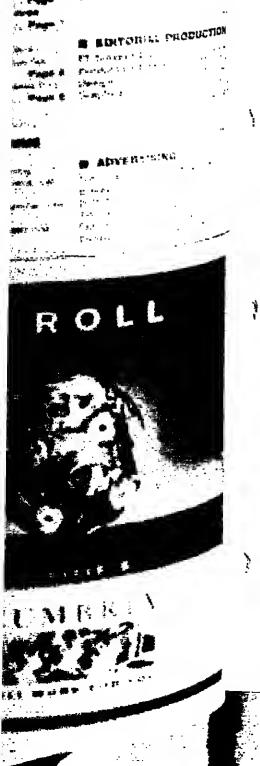
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Scotland

FINANCE

Some wobble while others perform strongly

The sector's morale has been hit in several ways, but all is not doom and gloom. Brian Groom reports

strong and innovative while the management of £15bn of the country's fund managers, after months of bad publicity, hope the worst may be behind them. "It's certainly better than a year ago in terms of public perception," says Grant Baird, executive director of Scottisb Financial Enterprise, which speaks for the financial community.

Performance by some comare developing specialiet niches. In any case, he adds: The realities were never as good or as bad as they might

Morale in parts of the fund management sector was hit when Scottish Amicable, the Stirling-based life company.

Scotland's hanks remain tial, which then transferred assets from Glasgow to London. Coupled with manage ment troubles at companies such as the Edinburgh-based Ivory & Sime, this created a wave of uncertainty.

Many executives believe the gloom was overdone, particularly in the Scottish press, but perception is everything when your business is managing other people's money. Two of the three main pillars of the financial community - the life offices and independent fund managers - sppeared

Finance and husiness services account for 20 per cent of Scottleb gross domestic

jobs. The pillars are: four activities so the true total is Scotland, Sir Bruce Pattullo clearing banks with headquarters in Scotland, which have total assets of £116bn; eight life offices, with more than £140bn under management; and independent fund managers with £44bn under

In addition, there is the composite insurer General Accident, based at Perth, merchant banks such as Edinburgb-based Noble Grossart, plus specialists in corporate law, accountancy, global custody, performance measurement and financial information, graphic design, financial printing and public and investor relations.

Banking, insurance and finance employed 230,000 in 1996, according to Scottish Office figures, a fall of 11,000 from the previous year but an increase of 69,000 since 1985. The official figures

estimated at about 200,000. The two Edinburgh-based Scottisb clearing banks which operate throughout the UK, the Royal Bank of Scotland and Bank of Scotland, have continued to turn in good performances in

spite of a scare last year when Standard Life, Scotland'e biggest investment institution, put its 32 per cent stake in Bank of Scotland up for sale. In the event it dispersed all but 2.5 per cent around the market rather then selling to a potential predator.

Both have developed an entrepreneurial edge, nota-bly in supermarket banking: the Royal Bank'e joint venture with Tesco and Bank of Scotland's with Sainsbury have taken off rapidly in deposits, though it will be some time before profitabil-

will be succeeded as governor next spring by Sir Alis-Life with assets of £49bn, tair Grant, chairman of the and Scottish Widows with hrewers Scottish & Newcas-£24bn. There are also indetle - not a career banker. pendent fund managers, the but a figure with experience biggest being Baillie Gifford, of the City of London and whose skills would be valumanaging £13bn. Others include Edinburgh Fund Managers with £7bn under able in the event of any Clydesdale Bank, owned

increased pre-tax profits by 22.6 per cent to £99.4m for the year ending September 30, and its fast-rising chief executive Fred Goodwin has also been put in charge of the group's Yorkshire Bank Scotland's fourth bank is TSB Scotland, which raised profits by 5 per cent to £81m

by National Australia Bank

It is in Scotland'e fund management community. however, that most controversy has occurred. The sector includes life assurance fibn of funds under management before seeking a larger

agement, Martin Currie ated big players in London. Institutions which were with £6bn, plus institutions

and Stewart Ivory. Troublee among some companies began late in 1995 when staff defected from Dundedin Fund Managers to form Castle International: Dunedin was later sold by Bank of Scotland to EFM. EFM'e own performance suffered as it absorbed Dunedin, which doubled its size Apart from the Scottish Ami-

cable takeover, this year also

brought problems for lygry

such as Ivory & Sime, Newton, Aberforth, Walter Scott

Critics circled, arguing that the creativeness which built life assurance and investment trust empires in the last century was running dry. The sector had failed to show tha growth that cre-

performing solidly felt vindicated this autumn when SFE figures showed funds under management in or from Scotland had grown by 9.2 per cent to £187.8bn in the first half of the year. Even last month's friendly takeover of Ivory & Sime by Friends Provident was seen ae

strengthening the company. Outside ownership does not necessarily hold fears: Scottish Equitable, for instance is prospering under the Dutch company Aegon.

It has not escaped notice that MAM, held up as the model Scots were failing to achieve, has been taken over by Merrill Lynch. The trend towards global companies creates further uncertainty about the place for players of the size seen in Scotland.

These factors will have a more profound impact than devolution, sbout which fears are sometimes voiced. Life companies would probably prefer it not to happen, in case it creates uncertainty among English policy holders, but they have been reassured by promises not to tax savings more heavily north of the border. If it is coming, they reason, then they want to see business friendly candidates. Stanby allowing staff time off to

DEVOLUTION

The bare facts of government await flesh

Constitutional matters have dominated the debate, says James Buxton. Little energy has been devoted to studying policy

The momentum carrying Scotland is likely to diverge Scotland to devolution has further from England in the slowed since the referendum

It might have heen sustained if Donald Dewar, the policy, and will find it diffi-Scottish Secretary, had speedily announced where in Edinburgh the new parlia-ment was to be sited, as he had said he would. But the government belatedly real- and education. The higgest ised that a decision between changes could come in areas three possible sites in the centre of the city and one in the port of Leith was more complicated than it had thought, and nothing is likely to be aunounced before the new year. It seems unlikely that a new building will be ready for the assembly's opening in 2000.

The drafting of the devolution hill has also proved more difficult than expected, but is now likely to be published before Christmas, in the meantime, little more detail has emerged about what will happen after the parliament comes into existence than was in the white paper - Scotland's Parliament – published in July.

The parliament will control all matters now devolved to the Scottisb Office, such as education. health, economic developagriculture. Scotland's goveroment will be called the executive, and will be presided over by the first minis-

There will be 129 members of the Scottish parliament. 73 of them elected by the first past-the-post system and the remaining 58 elected hy the additional member system. Thanks to this top-up of proportional representation, the number of MPs a party has will be roughly in line with its share of the vote.

This will benefit the two Scottish partles penalised under the first-past-the-post system, the Scottish National party and the Conservatives. Labour is likely to win the

largest number of seats but would probably fall short of achieving a majority, it with the new parliament and might then rule in coalition with the Liberal Democrats. But exactly what the parliament will apply itself to doing when the members take their seats after the elections in the spring of 1999 is far from clear. Political debate in Scotland has

been dominated for so long

by the constitutional ques-

tion that little energy has

been devoted to the study of The SNP has long had a comprehensive manifesto of everything it would do in an independent Scotland and has a policymaking machine. The others have yet to detail their ideas, and the Conser-

vatives are in disarray. Although there are a numher of Scottish policy research organieations, including the left-leaning John Wheatley Centre, there has not so far been a rush of want to preside over ecopolicy papers. Yet, over time, nomic failure."

way it runs public services.

But it will not have control over macro-economic cult to make big changes in the way it allocates spending between the three big items in the Scottish Office budget - local government, health outside these hig items.

The assembly will go on receiving its annual allocation from the treasury in London, currently ahout £14.5hn. But it will also have the power to levy a 3p in the pound surcharge on the basic rate of income tax, the so-called tartan tax.

Many observers believe the parliament will sooner or later exercise this power to give it a little more flexibility in spending, even though a 3p income tax supplement would not raise more than C450m.

The tax-raising power might be used if the allocation from the treasury were reduced, says Graham Leicester, an Englishman who has moved to Scotland Council Foundation, a think-

tank.

in the booklet Scotland's Parliament, a Business Gulde to Devolution, he writes that it will cost £20m a year to maintain the mechanisms to collect the tax surcharge from those eligible to pay it - people living or working most of the time in Scotland.

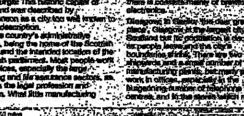
The fear that the devolved Scotland will allow councils to push up business rates and levy the income tax surcharge worries husinesses. courage investment and the second will make it more difficult to persuade good managers to move to Scotland. They are also concerned at the range of regulatory powers affecting them which the

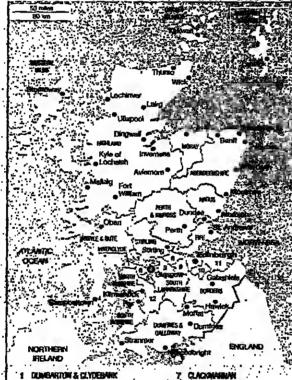
Companies are now beginning to confront the questico of how they will deal explain their case to it. The fused and feeling the busi ness community had failed to explain its concerns to the

Many companies are now wondering whether to go on supporting the bombed-out Conservative party or to establish links with other parties. Out of this confusion there has emerged the idea of the Scottisb business community forming its own political party to consest the Scottish parliamentary elec-

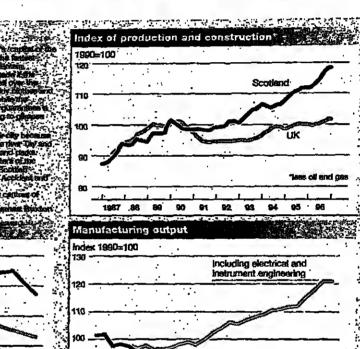
The consensus at a recent FT business breakfast in Edinburgh was that companles should establish good contacts with the Scottish political parties. They should remember," one platform speaker said, "that the Scottleh parliament won't

SNAPSHOT OF SCOTLAND





Scotland as a % of UK Scotland as a % of UK





PROFILE Gus Macdonald, Scottish Media

8 FALKIPK

WEST LOTHWAY!

TO MOUNTHANK

17 EAST LORING

the life of Gus Mucdonald. The chairman and managing director of Scottish Media, which used to be called Scottish Television, gives up his executive function this month and starts playing a

2 EAST DUNGARTONSHIPE

2 NORTH LANARICSHIPE

4 - CITY OF GLASSOW

IN EAST REMERENSHIEF

He is to become chairman of the Cairngorms Parinership, a post far and is also joining the which advises his friend Secretary.

last year taking over

Changing hats; read all about it!

broader role in Scottish affairs.

removed from the world of Scottish Media in Glasgow. Scottish Economic Council, Donald Dewar, the Scottish

The transition con time when Scottish Media's dominance of its sector in Scotland is greater than ever. This year it bought its Grampian Television, after

Caledonian Publishing

owner of The Herald, the Glasgow daily newspaper. Mr Macdonald, a tall man with a grey moustache and s twinkle in his eve. also claims credit for the fact that the company's market vaine has grown since be became managing director in 1990 from £50m to about

It has preserved its one of the UK's smaller television companies. In 1993 he masterminded a brilliant coup which saw the company retain its licence unopposed with a bid of only £2,000. Now new possibilities are opening up for the company

with the arrival of the

Scottish parliament, a prospect that delights Mr

"It's an historic change, he says. "It will give Scots a sense of ownership of what's going on in their country and bring more self-confidence. We will decide for ourselves what we should spend our budget on, and blame other people less for what's wrong."

Devolution will be also good for Scottish Media, he says, because it will give Scotland a stronger want to have distinct advertising campaigns for Scotland rather than Britain as a whole, and Scottish Media, now with licences for most of the

country, will be able to deliver the television

1984 85 85 87 85 89 90 91 92 93 94 1995

market to them. The new Scottish essembly and the executive will also generate news. Scottish Media is studying how to devise an evening news bulletin to incorporate Scottish, UK and world news which could replace the early evening national news from ITN and its local

Scottish news programme. Scottisb Television already transmits about 1.000 hours of local programming, the largest of any ITV company in the UK. Mr Macdonald believes this may be about as much as is practicable. "You can lose andience ratings with too much local

programming, but people like watching it and it is very good for building up lovalty.

Excluding electrical and

Gus Macdonald's working life began as a marine fitter and union militant in shipyards on the Clyde. He wanted to be a journalist but began his media career as circulation manager of Tribune, the left-wing weekly magazine. He is a

lifelong Labour supporter Moving to London, be worked for the Sunday Times newspaper before going to Granada Television as an investigative reporter. He joined Scottish Television in 1985 as director of programmes. later becoming managing director.

Now he has to preside over some of the most passionately fought controversies in Scotland in the Cairngorms Partnership. This is a grouping of landowners, conservationists and official bodies which tries to reconcile the interests of nature and the local inhabitants in this spectacular mountain area.

"My advantage is that I come to it with no political baggage," says Mr Macdonald, who enjoys leisure time walking in the hills near Ben Lomond. But he believes he can cope with the warring factions. "As a journalist you develop an instinct for objectivity when you hear both sides of the argument

They told me it would be

only two days a month, to

which I gave a wry smile." James Buxton

EDUCATION

A dash for the right ticket

Comparisons between Scottish and English education standards and requirements is unlikely to abate, says Antonia Swinson

"Scotland's education is the Republic in science, they best in the world" is a long- were heaten by English held Scots' shibboleth which schoolchildren, who came historically has meant that fifth, though the Scots were their education was better one place aheed of the than that of the auld enemy, English in maths. England.

assumption is now coming results show little improveunder harsh scrutiny. A ment over the previous year. recent international study of Meanwhile it has emerged nine-year-olds showed Scot- that the proportion of pupils tish schoolchildren coming taking Higher Grade examininth out of 17 countries in nations in a foreign lan-

Further up the secondary

There is currently a maelstrom of debale raging up as far as the universities. A complex set of issues promises to pose the Labour-run Scottish Office with one of its stiffest tests.

Scotland has atways had a separate system of education. Children start school at science. Over 76 per cent five and have an extra year at primary school compared However, this comfortable school, the latest exam to English pupils, entering secondary school at 12 plus.

The system is genuinely cohesive: secondary schools are comprehensive and with very few exceptions remain under local authority conboth maths and ecience, guage has dropped from 36 trol. Only 4 per cent of chil- for children aged 5 to 14, but Scotland take Highers when behind the US and the Czech per cent in 1975 to 12 per dren attend private schools, within them teachers are they are 17 after a one-year

England and Wales At 16, children take the standard grade exam, equivalent to GCSE in England. At 17, they take up to five Higher grades. The emphasis is on breadth, with many pupils taking a range of subjects across both arts and stay on after the age of 16.

compared with 46 per cent of Dunils in England. Scotland has experienced far less turmoil in education than English schools, which have faced the challenges of the national curriculum. Scotland has its guidelines freer to tesch their own material than would be permitted under the national curriculum.

The school inspectorate remains in civil service schools are largely self-assessed and set themselves targets. Whereas in England six unions squabble for supremacy, in Scotland more than 90 per cent of teachers belong to the Educational

Institute of Scotland. However, long-postponed reforms of examinations in senior schools, due to be introduced next year, are rekindling controversy. In England, able pupils take three A levels at the end of a two-year course when they are 18; their counterparts in

This effectively consists of only two terms - the o-called two-term dash because the exams are at the start of the summer term. hands, unlike in England; Anyone who gains satisfactory passes in Highers can expect to be offered a place at a Scottish university. These provide four-year degree courses, partly to make up for the lack of depth in Flighers.

Most Scottish pupils who stay at school after 16 carry on for another year after doing their Highers at 17. They may ait more Highers, while a few may take the Scottish Certificate of Sixth Year Studies

But if they have aiready received an unconditional Continued on facing page

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Scotland

Business leaders are encouraging a

have since substantially improved Edinburgh's cul-

tural and conference facili-

However, recent compari-

sons have been less flatter-

ing to the former industrial

giant on the Clyde. While

Edinburgh's confidence has been boosted by the prospect

of a Scottish parliament,

Glasgow City Council has

been under a cloud of sleaze

allegations. Another tight

financial settlement has

caused Glasgow to warn of

redundancies, schools clo-

library and leisure services.

Although suspension of

nine councillors from the

Labour party has done little

for Glasgow's image, the

forward-looking policy rather than a hark

Strathclyde regional council

in the reorganisation of Scot-

tish local government two

years ago cut off Glasgow

from the tax base of its more

prosperous suburbs. The

council argues that central

government funding does oot reflect the extent of

social deprivation within the

Yet Glasgow's business

community appears to be

taking e remarkably relaxed

view of the council shenani-

gans. Stuart Gulliver, chief

executive of Glasgow Devel-

opment Agency, says: "I

wish it hadn't happened,

ohviously, because it puts

the city on the front page for

what everybody would

regard as the wrong reasons.

But, to be fair, I have not yet

come across anybody who

wants to do business in this

city who has even men-

tioned it, never mind said it

One reason could be that

the Glasgow economy is now

performing better than it has

for decades. The GDA hopes

city's reduced boundaries.

rongly

- THERSHAY DROT MIT R IN Day

manging a larger . Spirite.

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AND SHARE STREET William W. T. a. W. with the state of the s THE PARTY NAMED IN

to the fall of the - 124 A-

1999 will replace the Higher, the Certificate of Sixth Year studies and the old vocational Scotvec qualifications. Widely perceived as cumbersome, with its five levels of attainment, up from Access to Advanced Higher, broadly equivalent to A level, it could prove confussecondary schools claim it is students will.

May 2

.

duce across a broad range of subjects.

offer of a university place Meanwhile, universities meanwhile, will be doing Highers for the first tima The Higher has long been perceived as too difficult for the less-academic pupils. enter Higher Still, a new set of qualifications which from

cient means. ing for employers. Smaller the fourth year, but English

sure. Less-bright pupils, are also quickly having to confront new realities. The four-year degree courses mean students have to pay an extra year's living expenses compared to their counterparts in England. To this burden will be added from next year the government's new £1,000 tuition fee, from which 40 per cent of Scottish students will be exempted because of insuffi-

Brian Wilson, the Scottish Realise Web Development is education minister, has caused dismay by ruling that shortage as it looks to Scottish and EU students at Scottish universities will not have to pay tuition fees for

to the past. Andrew Bolger reports There are few more tired tions concerning foreign There are 1ew more than trips.

cliches about Scotland than trips.

The disappearance of and Edinburgh. Yet the two cities do seem locked into a see saw relationship: if the fortunes of one are up, the other looks down by compar-Sometimes the tension can be creative. Glasgow's success as European City of Culture in 1990 gave a jolt to the capital's civic leaders, who

Sept.

Electronics lead from the Glen

puters attractive: the more

peopla use facilities such as

the internet, the greater the

con wafers, motherboards

plants of West Lothian and

and video monitors from the

There has been some con-

cern that the electronics

for over 50 per cent of Scot-

the economy. However, that

charge will be harder to sus-

tain after the news earlier

this month that Cadence

Design Systems, a Californ-

ia-based company which pro-

duces software used in

designing semiconductors, is

setting up its largest design

centre worldwida at Livings-

employ more than 1,800 soft-

ware engineers by 2002 and

is part of an initiative

launched by Scottish Enter-

prise the development body.

to give the Scottish electron-

ics industry as strong a base

in software as it has in hard-

ware manufacturing.
Four universities, Edin-

burgh, Glasgow, Heriot-Watt

and Strathclyde, are develop-

ing new courses to meet the

need for software engineers

to work in the Cadence facil-

There has been some con-

cern that the electronics

industry, while accounting

for over 50 per cent of Scot-

land's exports outside the

UK, is not adding value to

the economy. A BBC docu-

mentary last year high-lighted the low-skill.

part-time nature of some of

the employment created by

cyclical nature of the indus-

The facility is expected to

ton in West Lothian.

UK. IS not a

Production of semiconductors has been a spectacular success for Scotland. Richard Adams looks at the reasons

Glasgow: business optimism in spite of council sleaze allegations

On a wet winter evening, a information technology and group of accountants crowd multimedia industry repreinto the Cyberia internet sented by Realise, is on two cafe on Hanover Street in levels. The electronics induscentral Edinburgh for try needs the content to glasses of wine and an intro- make products such as comduction to using the internet. The wine may be from France, but some of the technology they are using is as demand for microchips, sililikely to have come from Scotland.

Scotland has made a spectscular success of attracting the rest of Scotland. and developing its electronics industry into a sector that now employs more than 65,000 and has invested billions of pounds. As a result, land's exports outside the Scotland has become Europe's leading centre in semiconductor production, with 8,000 people producing 13 per cent of the world's semiconductor output

Electronics - which includes the production of goods such as music systems as well as computers - now makes up one-fifth of Scotland's entire manufacturing output and accounts for 13 per cent of the country's manufacturing jobs. Compag's plant in Scotland, for example, is one of the world's largest production sites for personal computers.

The accountants in the Cyberia cybercafe are more interested in what they can do with this technology, as they are guided through the internet by trainers.

The cafe also houses another new technology industry for Scotland. Realise Weh Development may currently employ only 15 staff but its managing director, Gavin Nicholsoo, says it is the biggest web site consultancy in Scotland. The consultancy designs and realises company sites for access through the world wide web, as well as sites for internal use within an

organisation. Its clients include Scottish and Newcastle brewery, a Scottish bank and The Scots-

man newspaper. The connection between the massive electronics sector, involving multinationals

such as Motorola and NEC.

Continued from facing page

they will not be under pres-

after two years of study.

After two postponements,

provided a valuable boost for employment but disappoint related industries.

ths experience is unlikely to he repeated by the electronics industry. Jim Porter, of Scottish Enterprise, says that his organisation's aim is to establish more indigenous provision for the industry from within Scotland.

industry, while accounting

force that will be needed.

Tony Joyce, of Motorola which manufactures semiconductors in Scotland says the industry recognises that it is in its interest to make sure there is a pool of skilled, talentsd labour in Scotland, and is willing to co-operate to do so. "What some peopls would be surprised to see was companies they would see as competitors actually sitting around a table and agreeing what was needed in terms of

three years.

estimates that around 20 per vice-president at Motorola cent of jobs in the sector are temporary because of the and chairman of the Scottish Electropics Forum, recently said that regional grants The concern is that elecfrom government to invesand the small but growing tronics will follow tha oil tors from overseas should be tied to the quality and not just the "head count" of the investment. "For example." he says, "if an inward investor is coming into Scotland. almost impossible to intro- he should commit at least to an apprenticeship scheme and fund a skills pipeline

> that enhances the industry." The semiconductor industry has also helped develop special higher education certificate and diploma courses in process engineering through the new centre, in partnership with West Lothian College and Napier University. A national microelectronics institute has also been established at Heriot-Watt University.

production industry, which

Scottish Enterprise says

such as electronic engineerment to develop the work-

Motorola was one of the companies which helped fund the new Scottish Advanced Manufacturing Centre in Livingston, to provide training for up to 5,000 peopls from the electronics industry every year. And they will be needed: around 7,000 new jobs are expected to be created within the next

George Bsnnett,

connection. forward."

At the other end of the computer-based industry. also suffering from a staff expand into bigger premises. "Finding the right staff with the right kind of skills is very difficult," says Gavin

One way of doing this is by providing "turn-kay" capacity to attract investors by offering access to a complete portfolio of production facilities within Scotland, rather than just as a source of cheap labour. Doing so will belp protect the industry in Scotland from cyclical British Airways to transfer from the European Union

A sign of the industry's instead of Heathrow caused success is lts increased demand for skilled workers and managers. The Scottishbased employers are tourism. attempting to identify future skills shortages in areas ing and programming, and work in partnership with universities and the govern-

skills," says Mr Joyce.

the electronics industry. The Scottish Electronics Forum

"We paid a lot of windfall

Scottish Power's longstanding commitment to training and community involvement, which has earned the company plandits - and business from the trade union

started

The Highlands and Islands shifts in international mar- flights between Inverness after 2000. Since 1992, it will determined to tighten the criteria of its structural

> average. The GDP of the Highlands and Islands is now about 80 per cent of the European average and the area was perhaps fortunate to secure Objective 1 status last time. But HIE and and the area's don't expect. It is a setback seven local authorities have for an area that is on its way formed a Enropean partnership to lobby for continuing Objective I

The Highlands and Islands covers half the land mass of Scotland, yet includes only about 7 per cent of the population - 370,000 people. As the partnership's submission says, it is "an Cootinuing budget cuts area larger than Belgium, containing only one-third of Special arrangements are

with trade unions, the

Power Learning, which

Mr Robinson said: "Ons

has a population density of only eight people per square kilometre. The partnership argues that the Highlands and Islands should also be included in this "northern

rim" category since it has a population density of nine people per square kilometre. Mr Robertson says: "This is not a faint hope. We have have an Objective 1 scheme, surely it should be applied to an area which has the problems of ferries. transport, communication? That's the kind of support which island communities richly deserve."

> However, these challenges should be seen egainst a background of continuing economic and cultural renaissance in most parts of the Highlands and Islands. The HIE's annual report records the creation or retention of a record 3,745 jobs last year. The birthrate of businesses has risen to 3.4 per thousand of population well above the Scottish average of 2.5 per thousand.

A survey by HIE and the Council

Fraser Morrison, chairman

Scotland, BT and Scottish Power all recently locating or expanding in the city.

Retailing has been another significant source of employment. Glasgow's position as the second-biggest shopping centre in the UK, after the west end of London, will be strengthened by the opening in 1999 of the £150m Buchanan Galleries complex, Scotland's largest city centre shopping centre. With stores such as John Lewis, Hahitat, Next and Boots, it is expected to create 1,600 new jobs.

Tourism and the husiness They certainly were, and they were important paving conference sector are also devices for the future devel-opment of the city. doing well. Domestic tourism increased by 20 per cent But the truth of the matlast year, more than twice ter is that they were largethe figure for the UK as a scale public events during a whole. Alongside the Scottish Exhibition Centre. a time when the city's economy was not performing at spectacular new £38m conall well. By contrast, what is ference centre - designed by happening in the city today Sir Norman Foster and affecshows all the signs of good tionately known as the Armadillo - allowed Glas-The GDA believes the city gow to host a conference of is embracing e "post-indus 3,000 American travel agents

in September.

David Nelson, of the contrial" future. "There are jobs bere - they're just different kinds of jobs," says Mr Gulsultancy EC Harris, says: liver. "They are not in ship-"Hotels in Glasgow have witbuilding, or making trains nessed a rejuvenation, with they are in blotechnology, in the Hilton opening five years ago, the Malmaison chain Glasgow's claim to be the telephone call centre capital extension to its Glasgow of the UK has been enhanced flagship on West George by thousands of new jobs in

ing investment from US such as Tesco, Royal Bank of capacity in West Nile

The regeneration of the neglected south bank of the Clyde was given a fillip last month when the Millennium Commission awarded £35m towards o £72m national science centre on the derelict Glasgow Garden Festival site at Pacific Quay. It is expected the new Scottish headquarters of BBC Scotland will also go there, providing the nucleus for a pos-

sible "media park". None of these positive developments can conceal the extent of poverty and city, often found cheek by jowl with designer restaurants and shops. Peripheral estates are blighted by high levels of ill-health and drug

The GDA has developed a pioneering project, Glasgow Works, which provided paid work, vocational trainlog and personal development for 400 long-term unemployed people - 62 per cent of whom obtained work.

Mr Gulliver says: "Glasgow has 25 per cent of Scotland's unemployed, and 30 per cent of its long-term unemployed, so the problem is concentrated. We are recently completing an determined to get welfare-towork to work for us in this city. Crack the problem in Street, and the Holiday Inn Glasgow, and you crack Garden Court increasing its

ingly few spin-offs into THE HIGHLAND AND ISLANDS

It's getting tougher at the edges

Looking to a brighter future

employers such as Compaq

and Polaroid. Glasgow's

stock of jobs has increased

for the first time in 20 years.

and unemployment has been

falling faster than the Scot-

Mr Gulliver says: "People

tend to look back at the

1980s as the halcyon days of

the city's recent economic

international events such as

the 1988 Glasgow Garden

Festival and the City of Cul-

ture celebrations and see

them as landmark events.

economic performance.

electronics and software."

the sector, with companies

reformed Objective I funding

for the "northern rim" of

Finland and Sweden, which

tish and British averages.

This sparsely-populated region is having to face up to a round of cuts in finance

sures and the cutting of has is having a negative

city's problems are more to have attracted 6,000 jobs

fundamental than allega- to the city this year - includ-

and services, says Andrew Bolger The Highlands and Islands redundancy, and it has region, after enjoying recently

several years of sustained enconntered turbulence.

to Gatwick widespread dismay in ths region, which fears it could damage both business and

In spite of lobbying from Highland Council, Righlands and Islands Enterprise (HIE) and sven the Scottish Secretary, BA refused to budge. The service has now moved to a BA franchisee, Manx Airlines, using smaller aircraft

Iain Robsrtson, chief executive of HIE, says: "It is one of these blows that you back."

Another blow to confidence has come from the impact of local government reorganisetion on Highland Council, which has complained that it is underfunded because ths cost of providing services in a sparsely-populated area is not sufficiently recognised. have forced the council to shed 500 jobs in the past two the population of Brussels". years, mostly by voluntary

coosultations over the ecocomic uplift, has recently closure of nine primary some schools.

The recent decision by also faces the loss of grants after being accorded Objective 1 status, the most needy category. The EU is funds and will limit Objective 1 status to areas where GDP is below 75 per cent of the European

> funding on the basis of its sparse population.

Scottish Development and Industry showed that manufactured exports from the area excluding whisky and oil activity - had more than doubled since 1991.

of HIE, says: "Exports from Scotland at large have increased significantly in

investments, but what is Highland economy and particularly encouraging is strengthen tourism. the fact that our exporters matched that Scottish growth level - largely through the activities of a Nature, continue to fight the diverse range of small businesses. This diversified base to the economy renders us ever less susceptible to individual market changes." Oil rig fabrication has tourism - such as the the been one of the most cyclical

being made within the recent years as a result of would replace chalrlift

and bust in the 1970s and 1980s. However, Barmac has Ardersier, near Inverness. European funding supported an £8.2m upgrade of the Nigg yard so it could compets in the growing tourism gains. market for floating oil production systems. The company has tust announced

lt will take on 100 apprentices, and promised to ensurs the rest of its workforce could ohtain vocational qualifications. Tourism remains central to the ecocomy of the region, providing 20,000 jobs one in eight in the north of

Scotland. The redevelopment of the village of Avienore has been identified as a key objective by HIE. There has been hitter controversy over plans to build a £15m funicular railway up the nearby Cairn Gorm, one of Scotland's highest mountains. The Scottish Secretary

many major inward pylons, would benefit the However, the Royal Society for the Protection of Birds and the Worldwide Fund for proposal in the courts on environmental grounds.

The HIE hopes to reduce low-season unemployment by developing "cultural" study of the Gaelic language. alternating between boom Arts festivals are supported throughout the region, which continues to benefit recently seen a resurgence of from recent films such as orders at its yards at Nigg, Braveheart and Rob Roy. It in Easter Ross, and is hoped the creation of the Scottish Screen agency will Increase the level of film-making in the area, and thus generate further

One of the biggest boosts to the area's cultural self-confidence came last year with an award of £33.5m by the Millennium Complession towards a long-awaited University of the Highlands and Islands. The aim is to forge 13 educational existing institutions into a collegiate. federal university hy the

year 2001. Mr Morrison who chairs both HIE and the board of the UHL said: "We anticipate a situation where the outward migration of the most talented, long a characteristic of every Highlands and Islands community, is a thing of the

PROFILE

Mr Motivation heads a work taskforce

Ian Robinson, chief might be thought to have an obvious motivation for agreeing to chair the government's Scottish New Deal taskforce on welfare to work - his company will pay £317m in windfall tax to help fund

the scheme. But Mr Robinson, 53, plays down any such

tax and that was unite an issue in our minds," he says, "But that issue is behind us; it is one-off, and in life you have to look

Instead, Mr Robinson offers training places to the explains his decision to lead memployed. The initial the taskforce by pointing to target was to create 300 training places for the jobless in Glasgow and Liverpool, at an annual cost to the company of £2m. Already 200 places have been filled and some full-time employment

Since privatisation in

1991, Scottish Power has fellow told me 'I fell on my executive of Scottish Power. reduced the workforce in its feet. My pals used to deride core business by half. me for working, for coming To help remotivate staff. off the [welfare] benefit the company established now they're all trying to get open learning centres for on to it.'

employees and their "If you go out and talk to families. The company now these fellows, you just see the fantastic remotivation operates 41 centres in its areas of operations it has had on people. On Scotland, Merseyside, North some of the programmes, Wales and the south-east of like the call centre and England. They offer 700 information technology programmes ranging from training, virtually no one languages to vocational has finished the course because they have all got qualifications, diplomas and degrees. themselves out and found Last year, in parinership

"I use this word, they're company launched Scottish 'dressed' for work. They are really motivated and have got great enthusiasm and things to offer employers." .

An unexpected bonus was the effect on Scottish Power employees who participated in these programmes. Mr Robinson says: "They really feel good that they are doing something for this disadvantaged group - and they have found some

This community involvement has not prevented Scottish Power from making some shrewdly-timed

terrific people."

acquisitions. Two years ago, the company won a fiercely-fought battle for Manweb, the regional electricity company covering Merseyside, Cheshire and North Wales. Last year it took over Southern Water, which

West Sussex, the Isle of Wight and part of Hampshire. Now, as one of the leading multi-utility companies, Scottish Power is poised to benefit from the

supplies Kent, East and

the electricity and gas markets. Mr Robinson's role in the New Deal taskforce, combined with Scottish commitment to a

partnership approach with

forthcoming deregulation of

its unions, may have helped the company to beat 16 other companies to become the Trade Union Congress's exclusive energy supply

partner. Having already signed a similar deal with the Automobile Association, Scottish Power will now be given the opportunity to sell gas and electricity to the TUC's 7m members. John Monks, general secretary of the TUC, save Scottish Power was "a well-regarded employer with a good track record".

Mr Robinson, who comes from Middlesbrough, says Scottish employers have so far shown "great enthusiasm" towards the welfare-to-work proposals.

He says: "Scotland is a much smaller society; we are closer-knit – and things can be done because we know each other well. Lines of communication are

Andrew Bolger

challe

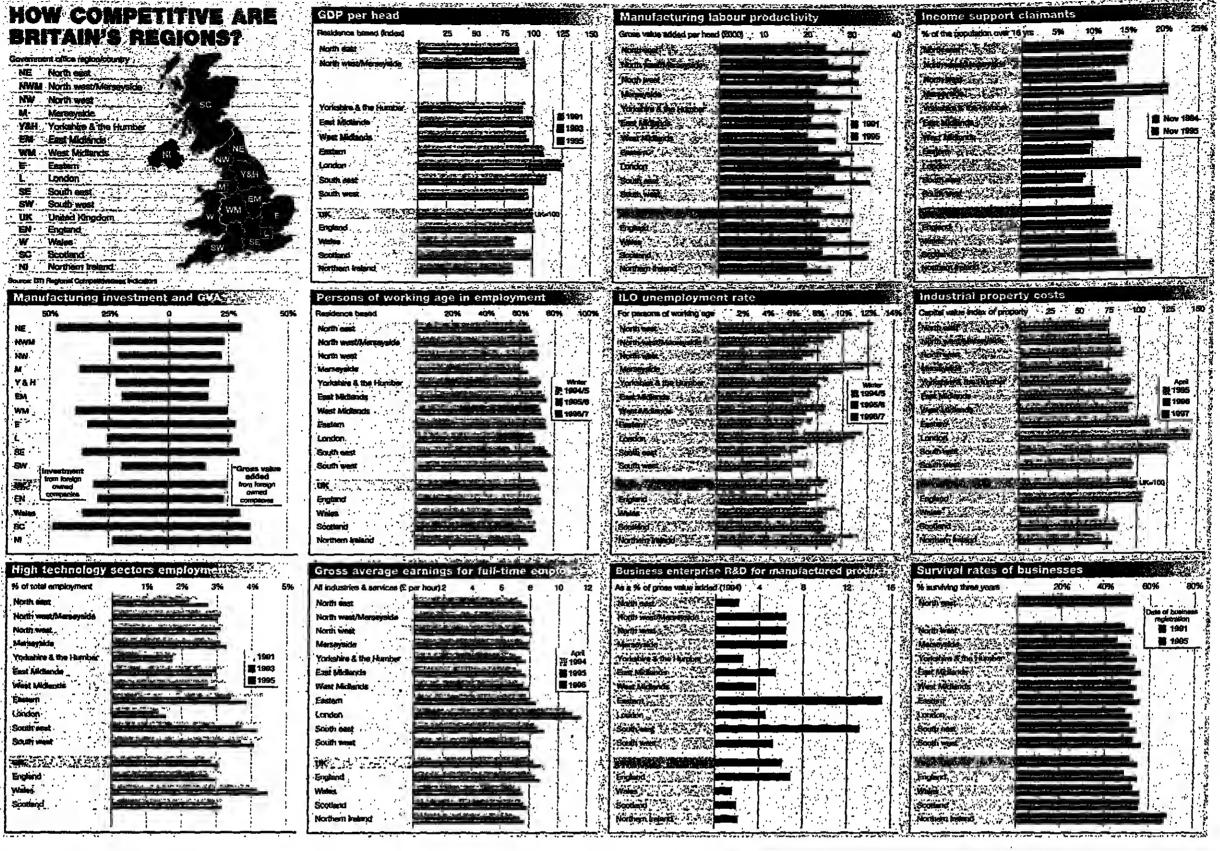
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Around the regions



URBAN RENEWAL

Now Railtrack branches out

Commuters may blanch at the mention of trackside trees, but Richard Wolffe discovers that wood is now good

It sounds enough to make on the line is about having weary commuters want to the right kind of leaves," cancel their season tickets. said Nerys Jones, chief After years of hearing rail executive of the NUFU. authorities blame "leaves on the line" for train delays, Railtrack - the company now responsible for the upkeep of the UK's railways is planning to create new woodlands alongside some of the busiest lines in Britain.

Beside a one-mile stretch of rallway, on the line linking Clapham Junction and Gatwick alreadt in southern England, Railtrack aims to plant trees on embankments, derelict land and nearby parks. The project, majoused by the Unit (NUFL'), is designed to regenerate the ioner-city environment as well as making rail journeys more

attractive. The project is a stern test for the unit's claims that trees can improve the quality of urban life, while al the same time allowing the trains to run on time. chief executive of Connex Rail which runs some of the services lo southern England, condemoed the British love affair with trees for train delays, and unred Railtrack to cut down more trees oear rail tínes.

"The whole issue of leaves parks and out-of-rown

TELFORD

according to the NUFU. Now the unit is in talks to

"Trees that bave large betweeo leaves, like horse chestnut and sycamore, cause a problem because they take a long time to break down and and nearby housing. With a small government turn into big slimy leaves unlike smaller leaves like

"It is all about managing Railtrack's land and reaching out to the local communitles, so we are going through an extensive community involvement and consultation process." The work with Railtrack

oak and beech.

follows the unit's improvement of an 1t-mile stretch of motorways in the West Midlands, on public parks, schools and derelict land. Over the last four years, around 50 hectares of new woodland has been added to the highly urbao roadsides beside the M5 and Mi motorways.

argument is that its green Last month, Antoine Hurel, approach to urban regeneration is not costly. By using fast-growing forest species - rather than more ornamental trees - the NUFU estimates its solution is one-fiftieth of the cost of more traditional methods favoured near business

costs less than £10,000,

improve the environment around the Greenwich peninsular in south-east London, to establish a greeo barthe government's buge Milleonium Experience exhibitioo

grant of just £250,000 a year - and a turnover of less than 52m - the NUFU attempts to convince the private sector that it can improve the value of its land by plaoting trees. Developers may be more attracted to land with trees, while landlords can also use trees to improve drainage from industrial land or even to reduce heating bills by sheltering buildings.

Millenoium Commission funds have proved a sobtype of urban regeneration. In the Black Country. north-west of Birmingham. the commission has awarded £4.2m to plant 2m trees in the regioo by 2000, in a separate NUFU project.

But the use of bumble trees to regenerate land is ing inward investment, not confined to urban areas. Last mooth, the commission also awarded 26m to an ambitious scheme to transform derelict land once used for coal mining in the Mid-

shopping centres. To plant National Forest, the first forest can prove very impor-trees in a hectare of land new forest of its size for 1,000 tant in the decision-making years. The forest is a governprocess about where to ment-aided project which aims to cover 200 square miles of Leicestershire, Der-

byshire and Staffordshire with trees, converting former coalfields as well as farming land. By 2005, it aims to plant the bulk of its trees, covering almost onethird of the region. Without the funds to own any sizeable tracts of land. the forest'e leaders must

convince the private sector as well as organisations in the public sector - that the forest makes commercial sense. At its heart is a tender scheme, where landlords compete for government grants as long as their new woodland offers public or

environmental benefits. Susan Bell, chief executive of the National Forest Company, says: "This area was incredibly badly hit by the closure of the deep mines which cost 10,000 jobs - and the decline lo manufacturing. It is not only physically battered, but also socially and economically battered.

"We are seen very much as the lynchpin for attractthrough blds for public money and through the improvement of the area. We can help to bring in higher quality investment, offering better jobs, not just distribution centres. It is a better The funds will be used to environment for staff and for build a visitors' centre at the the top executives, and the as making a difference."

Two years after its launch, the forest covers more than 740 hectares with 1.6m trees. including arban forests in Burton upon Trent and

Swadlincote.

However, the scheme has been struggling to cope with the rising price of land in its region, where the market in farmland has increased by up to 40 per cent since 1995. The forest is lagging behind its own ambitious targets by 125 hectares, as its £2m budget is squeezed by the higher cost of converting farmland into forests. The company is now drawing up a revised business plan, but insists that it will not lower its

nisms that we would not have dreamed possible such as the Millennium Commission bid, urbao regeneration funds, or funds from the new landfill tax. But we do not in any way wish to reduce our targets." Ms Bell says.

"One of the things that has surprised us is how the forest has grown in importance, and how it can bring economic regeneration to this area. Now the forest is used in literature sent out to attract inward investors. Even in the housing market, being at the heart of the National Forest is perceived

NEWS IN BRIEF

Bath pulls the plug on traffic

which will give priority to pedestrians, cyclists and public transport. The local council is considering installing high tech gates at two points in the city which would prevent access to all vehicles other than local

Other measures include a 20mph speed limit, closure of two city centre car parks, the removal of on-street parking. and the closure of the famous Pulteney Bridge to all but emergency services. **London voted best**

EU company executives have voted London as Europa's best city for business for the eighth successive year. Healey and Baker's European Cities Monitor 1997 survey puts London way ahead in the opinion of 500 leading European companies. Paris came second, followed by Frankfurt,

The criteria used to make the assessment were: easy access to markets: external transport links; quality of telecommunications; languages spoken; office space availability; and best internal transport

Financial crises in Asia have led economists to cut their forecasts for Britain's inward investment next year by up to **David Parsley**

smaller units of between 2,350 so ft and 3,200 so ft. Homes challenge

West Sussex County Council

is challenging a government decision to force it to allow more homes to be built. The government has issued a directive to the council requiring the planned level of new housing in its structure plan to be raised from 37,900 to 50,700. The council is applying to the High court for a judicial review of the

Their findings come as there Room to improve The most decrived areas of England have failed to investment in Scotland, risking improve since 1991, despite substantial urban regeneration funding, according to a government consultation paper, Regeneration Forward.

The paper looks at options for a future regeneration programme. These include targeting resources on the most needy areas or combining assistance for the most deprived areas with grants awarded to competing partnership projects. Alternatively, regions could get funds.



25 per cent. Nigel Pain, of the National Institute of Economic

On our economic model, we expect inward investment to

and Social Research, says:

fall next year by at least 23

per cent, and we will revise

probably by 2 percentage

Ray Barrel study inward

and acquisitions, will be

are fears that Hyundai, the

3.000 jobs, after the recent

collapse of the Seoul stock

market and the country's

More shops planned

Centros Miller has unveiled

shopping centre in central Wrexham. The developer has

submitted a detailed planning

application to the north Wales

town's council, which selected

Centros as its preferred

developer for the scheme.

The proposed scheme

comprises two anchor stores

of 35,000 sq ft each and six

plans for a 118,000 eq ft

Korean conglomerate, could

Mr Pain and his colleague

investment closely, and this

year, they say, foreign direct

investment, including mergers

that figure in January.

point or more."

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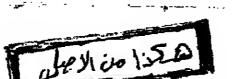
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Cheshire

Challenges and warnings among the successes

The city of Chester has come to rival Manchester as a financial and business services centre. It is an example of how the area has adapted as traditional industries declined, says Sheila Jones



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Cheshire stands out among the counties of north-west England for its success in restructuring its economy as traditional industries have

declined. The county, once heavily dependent on manufacturing, defence and engineering, has become a magnet for expanding sectors such as distribution, elsure and business services.

Dynamic growth centres such as Warrington, Macclesfield and Chester have underpinned the shift to a relatively strong and diversified economy. But there are notes of caution, and there are challenges for Cheshire as it seeks to maintain buoyant growth rates while also preserving and improving its environment. Cheshire is a county of outstanding natural beauty, but increasing demand for commercial and industrial space, coupled with a rising

population, are putting pressures on Green Belt land and on already congested urban centres.

The county has outperformed the UK average in recent years in terms of low unemployment, output growth and average incomes. The county is likely to achieve cumulative output growth of 15 to 17 per cent between 1994 and 1999 against 13 per cent for the UK as a whole, according to the Henley Centre for Forecasting. Unemployment dropped to 4 per cent

in September against 5.9 per cent for the north-west and 5.2 per cent nationally. However, economists expect employment to continue to grow at a slower pace than output growth. as manufacturing continues to decline. Cambridge Econometrics is predicting output growth of 2.7 per cent a year up to 2010, while it expects employment to grow by 1.2 per cent a year.

Just over 22 per cent of the workforce is employed in afacturing, which is dominated by

chemicals and pharmacenticals; 23 per cent are employed in distribution, catering and hotels; 18 per cent in financial services; and 20 per cent in public administration, education and

New jobs are expected to come primarily from service industries, which have expanded rapidly in recent years. David Kern, chief economist at National Westminster Bank, points to the "unusual strength" of catering, leisure and business services.

Between 1981 and 1991, retail catering and leisure activities grew by around 35 per cent. Financial and business services saw "a massive 104 per cent rise", double the national rate

Chester, the county's 'capital' has come to rival nearby Manchester for its concentration of financial and business services. The sector increased its workforce in the county overall from 60,800 to 68,900 between 1991 and 1995, and it has continued to expand in Chester and Macclesfield in particular. Services as a whole employ just over 70 per cent of Cheshire's workforce. Warrington, which lies at the centre of the county's transport network, has

grown into the distribution and

warehousing capital of the north-west.

if not the UK. Among the biggest local operators, Safeway, the stores group, serves the north of England and the north Midlands from its Warrington site. Distribution and service industries combined employ more than one-third of Cheshire's workforce.

National and global companies are drawn to the county by factors such as skill and educational standards, the quality of life, and location. About 20 per cent of Cheshire'e top 500 companies are owned by non-UK parents, predominantly from France. Germany, Ireland, the Netherlands and

Transport links are dominated by four linked motorways, providing north-south and east-west road access To the east, Cheshire backs on to Greater Manchester and its airport. Rail links converge at Crewe to the

Yet while the county enjoys higher levels of affinence and better prospects than many other regions across the UK, there is disquiet on several fronts. The pace of growth in parts of the economy has raised concern about the implications of overheating, and political battles lie ahead over future development. The Labour-led county council, eager to preserve Green Belt

but reluctant to choke off growth, is proposing to restrain development in towns including Warrington and

At the same time, there is concern that economic growth is not reaching all parts of the county. While incomes for the top fifth of individuals rose by 49 per cent between 1979 and 1991, incomes for the bottom fifth rose by only 3 per cent. To the north and west of Cheshire, manufacturing employment continues to decline, and

these less central areas are falling to attract new and growing industries. The coonty is trying to address the issue with training initiatives for

low-skill areas, and it pledges in its latest economic strategy statement to try to extract "the maximum grant aid from European programmes". Parts of the county have Objective 2 status for EU regeneration funding. But past development indicates that new and growing employers want to operate from areas of established success. where skills, transport and other

services are readily accessible. A further challenge for the county will come next year with the loss of Warrington and Halton, which become unitary authorities under local government reorganisation. Many of

Cheshire's biggest employers, including ICI and Zeneca, will be lost lo these new authorities, and the county will become less export-oriented. The largest concentration of employers in the county's top 500 companies is in Warrington, Halton, Chester and Macclesfield. Nearly 60 per cent of the top 500 are exporting companies. The remainder of the county will become dominated by small and medium-sized

John Collins, leader of Cheshire County Council, believes the county will have to pay special attention to the needs of these small and medium enterprises because of their greater and to more local problems such as access to funding for expansion, late payment of debt and the costs of implementing national legislation.

Mr Collins believes, that despite forecasts of continuing strong growth. Cheshire cannot be complacent. "There are only two regions in the UK that are performing better than the European average, and the north-west is not one of them," he says. "Cheshire is one of the better parts of the north-west, but it is still not in the top flight in

LOCAL GOVERNMENT

Change likely to prove expensive

ALthough reorganisation will see the county's population fall, services have to be maintained. Alan Pike reports

There has been much talk enjoyed a brief period of this year about "new Cheshire". This is not a marketing promotion, but a description of the radical government reorganisation is about to bring to the administrative and political shape of the county.

Next spring, the districts future. of Halton and Warrington ell-purpoee unitary anthorities in their own right, taking over front-line, expensive including education and councils.

social services. In Scotland and Wales, all local government services are now provided by unitary authorities. But a review of English local government produced a piecemeal outcome. Some big towns and other urban areas that were formerly parts of counties will, like Halton and Warrington, gain their "independence", While others will remain within a two-tier structure.

Nationally, the review process led to most county councillors arguing for two-tier retaining arrangements and district councillors favouring unitary authorities. Cheshire was no exception, with the county opposing change and warning of negative financial and other

The county council will not finalise its 1998-99 budget until February. But it has estimated that reorganisation could increase the average "new Cheshire" household's council tax bill by about £100. And, following thie month's government announcement of 1998-99 grants to local authorities, the county is also warning of serious cuts in services.

Cheshire's" "New population will decline from around 980,000 to 668,000 with the loss of Halton and Warrington. Although the reconstituted county council will have to provide the same range of services as now, and believes it will be disadventaged in the dietribution of government grant to pay for them.

"It has to be said that the council bad about the likely outcome of local government reorganisation are coming true," says Paul Findlow, Conservative leader. "Bnt the fact that we were right is no consolation to the thousands of individuals who face higher bills for

poorer services." Until last May's council had a majority on the county council, which was run by an unusual Conservative-Since May, Labour has Industry.

outright control. But the county will revert to being "hung" when Halton and Warrington representatives change that local leave it in the spring - and, with the loss of the two urban areas, it will become far more difficult for Labour to regain control in the

But if next year's will cease to be part of reorganisation is being responsibilities and become apprehension in Cheshire county ball, there is a more positive spirit in Halton and Warrington as they prepare activities to launch their unitary John Gartside, leader of

Lebour-controlled Warrington, is convinced that the reorganisation will bring many benefits. "Counties have become too small for strategic planning purposes," he says. "I see unitary authorities that can provide services close to their electorates, combined with a stronger regional dimension, as the way forward."

Warrington council moved outside the conventional local government management network in its search for a chief executive to set up and run the unitary euthority. Steven Broomhead, for the past three years principal of Warrington Collegiate Institute who has always worked in the education field, has been appointed.

He says he was cheered at a meeting of local small business representatives when they learned that he came from outside local government. Mr Broomhead gained a reputation for bringing a clear business focus to his duties as a college principal. As chief council he will be the town's biggest employer, and says he wants the council to both lsarn from business particularly in areas such as customer care - and encourage its continued financial and related investment in Warrington.

Warrington council will employ fewer staff, it already has a positiva Scotland subsidiary, is the reputation for its city's biggest employer, with involvement with business. a The authority stages the successful annual Business Connections exhibition - an motor insurance created 200 important investment showcase for the planning further growth. worst fears the county north-weet - and is currently involved in the US credit card company, is a development of an more recent arrival. It

demonstration of the Labour it has taken on about 1,200 council's commitment to and is hoping to employ a partnership with the private further 2,000 in the next five its economic development unit - which promotes a the UK by a US financial elections, no single party range of overseas trade institution. missions among its business support activities - was admitted to membership of Park serves about 1.5m Liberal Democrat alliance. the Confederation of British

Centre in the town.



Chester benefits from being a significant tourist attraction, but it has also become a leading financial and business centre

BUSINESS AND FINANCIAL SERVICES

Quality of life is key factor

Sheila Jones tells of the attractions for some of the new breed of employers

other sector in Cheshire. with employment more than doubling from about 30,000 in 1982 to 70,000 today. The manufacturing and public we looked at the quality of services as the county's biggest employers.

Typically, Cheshire has attracted UK companies Midlands, there was a plentilooking for administrative and telecentres outside invectore choosing cities such as Chester and Warrington es their European headquarters. In Chester, the county

'capital', some 18 per cent of the workforce is employed in services. Capital Bank (formerly NWS), the Bank of staff of 4,000. Long-established in Chester,

Capital's expansion into

inward jobs and the bank is MBNA International, tha International Business moved into Chester in 1993 promising to employ 800 A particularly striking staff over five years. So far, sector came recently when years. MBNA's £42m investment is the largest in

> MBNA's credit card call centre Chester Business customers in the UK, its

"We looked at these kinds Nelson Money Managers and services have grown faster of sites throughout the UK," in the past 15 years than any says Paul Campbell, communications manager at MBNA. "First, we found the people here were right. They are friendly - a typical sector now rivala north-west attribute. Then

educational facilities. With universities in Liverpool, Manchester and the north ful supply of graduate-calibre staff. And the universities in the north-west are very commercially aware they can see the sector growing around them so they will be producing for the sector."

While manufacturers need to be near their markets and customers, employers opening call centres and administrative offices can be more "Technology means loca-

information facilities and abilities as a London house, and the attraction of life in Cheshire as well." Marks and Spencer located its new financial eervices division in Chester in 1985 partly because of commercial links with Capital Bank and because the costs of setting up in London or the

latory body. "In Chester, we

have the access to the same

south-east would have been higher with less opportunity for expansion, says Chrie Larkin, M&S Financial Services media relations manager. The company employs 1,200 people in Chester. It recently almost donbled its space there, expanding by 80,000 sq ft. The quality of life in Ches-

ter is a "well kept secret", tion for investment services says Mr Larkin, who moved is no longer critical," says north from London earlier David Cassidy, chairman of this year. "The city was a



biggest market in Europe. M&S Financial Services employs more than 1,200 at Chester

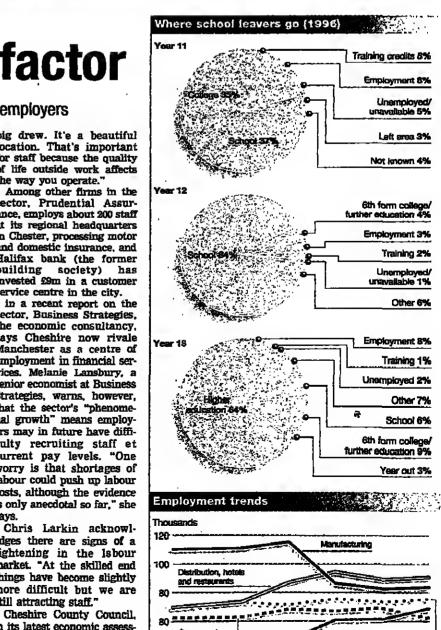
big drew. It'e a beautiful a director of Imro, the regulocation. That's important for staff because the quality of life outside work affects the way you operate." Among other firms in the eector, Prudential Assur-

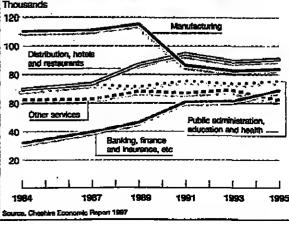
ance, employs about 200 staff at its regional headquarters in Chester, processing motor and domestic insurance, and Halifax bank (the former building society) has invested £9m in a customer service centre in the city.

sector, Business Strategies, the economic consultancy. says Cheshire now rivale Manchester as a centre of employment in financial services. Melanie Lansbury, a senior economist at Business Strategies, warns, however, that the sector's "phenomenal growth" means employers may in future have difficulty recruiting staff et current pay levels. "One worry is that shortages of labour could push up labour costs, although the evidence is only anecdotal so far," she

Chris Larkin acknowledges there are signs of a tightening in the Isbour market. "At the skilled end things have become slightly more difficult but we are still attracting staff."

Cheshire County Council. in its latest economic assessment, says the sector is likely to continue growing, with the largest employers promising expansion beyond the millennium, although lt warns the rate of development is unlikely to match the dizzy growth of the past





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Inward investment

WALES

Success is driven by many parts

The Welsh were quick to build up a car components industry when coal and steel jobs were lost. Juliette Jowit reports

Wales has discovered its new headed by Penny Mitchell. coal or steel: automotive components - an industry which directly or indirectly employs one in four people in manufacturing jobs.

Next to the West Midlands, the principality has companies and communities the second-higgest industry across the principality by in the UK, worth £1.7bn a year and growing ot a rate of

The auto components industry first put down roots in south Wales just after the sscond world war when George Kent, now TRW, started making steering

It gathered pace in the 1970s when US and Japanese manufacturers looking for a European base were attracted to the relatively free market in the UK.

Wales, especially in the last 10 years, attracted a growing share of the expanding industry with a combination of good labour relations, a skilled workforce, low wages, high productivity and financial incentives.

The industry is now one of cated division of the Weish

other things, are charged with spreading the benefits of the leading investors such

encouraging small compa-nies to hid for work from "Quite e few" jobs in the industry are high skilled, particularly in the electronlcs side, but not enough, says Mrs Mitchell, who is road pricing. keen to enconrage more

es Ford, Toyota, Calsonic,

Valeo, Lucas and Bosch to

R&D in particular. Among the recent suc-cesses in this field are north Wales-based Henroh, which has developed leading edge fastenings contacts for manufacturers such as Audi, and Pilkington Electronics. which is working on new displays and night vision for

ln south Wales, Alloy Wheels has patented a new process for casting ultralightweight aluminlum wheels which is being aimed Trico has developed a special windscreen wiper for snow.

than £5m in a special training centre for its employees, and other companies are spending millions of pounds on on-site skills develop-

To encourage more activity such as this - an important factor in keeping Wales at the forefront of the indus try, says the WDA - the agency has a number of ini-tiatives, such as the First Vehicle Project, which studies industry trends and tries to identify where the greatest potential for research and development lies. Target areas now include engine controls and

Another attraction of Wales has been its easy access to markets: the country is within three hours' drive of 26 of the UK's 29 per cent of sales are direct to

Half of all businesses the industry supply Ford or Rover, but all the main UK and European manufacturers are served from Wales, and exports make up more than one-third of sales

Not being dependent on any one big manufacturer has helped encourage greater growth in the Welsh industry, claims Professor are also spreading any risks



nowned euto industry expert et Cardiff University Busi- the automotive industry has ness School.

"The competitive compathan one country, so they

quite nicely," be says. The result is almost every part of a stake in Wales, with particularly big clusters in chassis. nies are supplying more suspension, brakes and than one plant, more than steering, eogines and one company, probably more exhausts, heating, ventilation and air, and plastic, rub-

All the elements are there, but there are no car assembly plants in the principality - something the WDA is considering how to rectify.

The idea is to try to have Welsh concept car using all the expertise we have, particularly in the materials, ectronics and other compo-

nents," says Mrs Mitchell. "We could actually have a go at building on the concept car for the future." Beyond this, other indus-

ing the benefits of the auto components sector's success. programme is helping local in south Wales.

companies benefit as much as possible by encouraging car manufacturer on a joint venture - the first dedicated eutomotive supply park cext The WDA's Source Wales to the company's operation

MERSEYSIDE

Smaller businesses find a saviour fund

Ian Hamilton Fazey discovers how the difficulties of attracting finance in a problem area were overcome

fund for small and mediumsized businesses (SMEs) on Merseyside is proving so successful after one year's operstion it is being watched as a possible model for the transitional economies of central Europe, the former Soviet Union and the EU.

Merseyside Special Invest-ment Fund (MSIF) is channelling some of the area's Objective One money from the European Union into small and medium-sized businesses. Many such SMEs could not raise finance easily because of funding gaps and e shortage of confidence in the area among banks and venture capitalists.

There are now three funds under the MSIF's umbrells: a film one for equity finance, e £10m one for mezzanine loans - which are unsecured or have a low priority for repayment if a business fails and a firm one for small loans to small husinesses. particularly in inner city or difficult areas, where banks shy away because of lack of security and risky location. Most of the money has

come from the European Regional Development Fund and the UK government, which have put in £5m each. Another Eam is from the Merseyside local euthorities' pension fund, and £1m from Pilkington's pension fund. clays, supported and underwritten by the European Investment Bank. Two local £500,000 to the small companies' pot, earmarked for use in Granby, Toxteth and Dingle, the disadvantaged inner city postcode areas of L4 and. L8 notorious for the city's 1981 riots.

The three MSIF funds have made 130 investments since August 1996, most of them in the last nine ment's urban funding promooths. About £5m has been committed so far, but this has levered £19m from private equity providers and banks. More than 700 existing jobs have been secured and nearly 500 new ones cre-

MSIF's guarantors have heiped build confidence. They are led by the Bank of England, which provides Neil Kemsley, its agent in the region, as chairman. The rest comprise Livsrpool Chamber of Commerce and a partnership of Merseyside's five borough councils, the Confederation of British Industry, the Trades Union Congress, Liverpool's two

An experimental investment sional hodies such as the local society of chartered accountants.

To ensure performance, MSIF has outsourced each fund to experienced special-ists regulated by IMRO. Innvotec, a London venture capitalist, manages the equity fund, Enterprise Ventures, part of the former Lancashire Enterprises, is in charge of the mezzanine one, while the small firms fund is run by BCE Fund Managers. which used to be part of the now-privatised British Coal

Enterprise.
All are co-ordinated hy-Stephen Burton, MSIF's chief executive, e Liverpoolborn eccountant who has worked in London and Nigeria and has extensive general management experience in the engineering, container leasing, wire, timber and building products indus-

most innovative aspect of MSIF's operations. however, arose from EU pressure for it to give subsidised loans at 5 per cent to the companies it backs. "I was not prepared to have the word subsidy mentioned," Mr Kemsley says. "We are not here to give away cheap money. There is no point in becking businesses which are not commercially viable. They have to be sustainable in the long term. We were, Loans are operated by Bar- however, prepared to reward

people for success." The result was a compromise that has impressed Liverpool funds contribute Eurocrats and could certainly work elsewhere. Companies have to borrow at 14 per cent, but they get twothirds of the interest back as e bonus each year if they meet agreed performance targets and keep up interest payments. Three-quarters of the rebate is met by the EIB the rest from the UK govern-

> Such a hard-headed approach has been good for MSIF's professional image, helping syndication of bigger venture capital and loan economy.

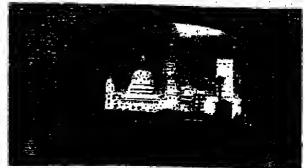
packages among normal commercial providers who can be confident MSIF is not just a soft touch for suspect s. Mr Burton has also helped ensure the quality of applications by having them filtered through Merseyside's professional ser-

vices network first.
The result is that our managers have been surprised et the quality of deals there is around," he says. "We ourselves have been surprised to find the market is much larger than we thought at the small end. We are looking to double the size of the small firms' fund.

This suggests considerable latent demand, which straight commercial lenders may have been reluctant to meet because of Merseyside's past image of decline and risk. It is a chicken and egg conundrum for any area which needs to demonstrate successful entrepreneurship to fuel a virtuous circle of regeneration, but cannot get enough private sector financial support until it does. MSIF is therefore e demonstration vehicle for confidence from which other struggling ereas of Europe can learn.

One of its most important syndications so far was e El.2m deal, led by 3i, with MSIF putting in £200,000, to bring in a substantial piece of inward investment in the shape of Restaurant Express The company has set up a national call centre in Liverpool to take orders for meals which are then home-delivered from local networks of normal - rather than specialised fast-food - restaurants eround Britain. It has already been back for a second tranche of funding from MSIF and 31 because expansion has been so rapid.

MSIF's latest investment was a more mundane combined management buy in and buy-ont last week at HPL Jars & Containers in Liverpool, which makes plastic tubs for supermarket giants across Europe. It was thinking of leaving Liverpool until MSIF made it easier to stay. About 90 jobs have been saved for the local



universities, and profes- Funds for Merseyside have come from both the UK and Europe



Herseyside's future **bright** Hilture

The future's bright for Will and Toby - their Merseyside is growing fast as today's investors wake up to their potential.

Maritime traders or space game designers - there's greater choice than ever before to offer the children of today's Merseyside. During the 90's we've invested over £2 billion to create a business environment that develops choice - and new companies.

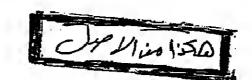
As Will and Toby grow, so will these companies. But one thing will stay the same - the need for an articulate, quick witted, multi lingual, and adaptable workforce that Merseyside provides. That's you, boys. It's your bright future!

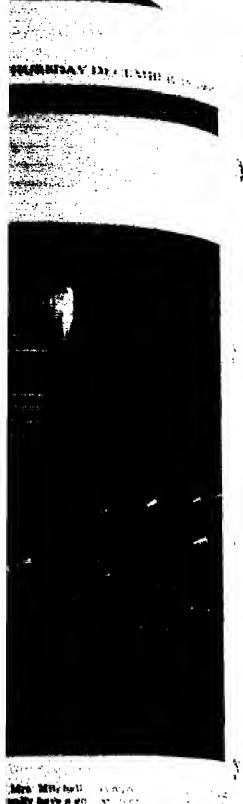
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To discover more about the investment potential on Merseyside telephone

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A'pool of talent





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TOE EUROMODEY INTERNATIONAL BOND CONGRESS

A unique event for all bond market projectionals

FINANCIAL TIMES COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1997

Thursday December 18 1997

THE EUROMONEY INTERNATIONAL BOND CONGRESS A onique event for all bond market prefessionals

Japan

gets first

company

since 1945

By Bethan Hutton in Tokyo

Daiei, a Japanese supermarket

operator, yesterday set up the

first holding company io exist

in Japan since the end of the

second world war. A law

allowing such companies came

into effect yesterday. US-inspired regulations

hanned holding companies

after the war as a way to pre-

vent the regrowth of the pre-

war zoibotsu industrigi

holding

Report calls for free gold trade

Allowing gold to be traded freely would benefit many countries, according to new research. The study says there are only two genuinely free gold markets in the world: Dubai and Hong Kong. Every other country imposes either fiscal or legal restrictions on the trade. Page 22

Alitalia picks KLM as European partner



Alitalia, the Italian national carrier, is poised to end the battle over its choice of a European partner by announcing it has opted for KLM Royal Dutch airlines, There had been speculation that it would opt for a "political" deal with Air France. But Domenico Cempella

(left), Alttalia's chief executive, is understood to have argued that such a move would undermine plans to privatise the airline next year. Page 18

From model aircraft to jets in an illustration of how Taiwan is re-engineering its economy, one of the world's leading manufacturers of radio-controlled model aircraft has landed government contracts to develop jet engines. Taiwan is keen to foster an aerospace industry and is encouraging manufacturers to begin by making components. Page 16

Indian shares stage modest recovery Indian shares - battered by the collapse of the government, a slide in the rupee and the general withdrawal of funds from Asian markets – are staging a modest recovery, although investor confidence remains fragile. Page 32

mpanies in this issue

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Estag

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Fairmont Hotels

General Motors

Goss Graphic Sys

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Falconbridge

CROSSWORD, Page 22

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TRW to acquire equity in ICO

Move marks consolidation in satellite-based mobile phone sector

TRW, the US industrial group,

The tie-up, announced yesterday, means the end of Odyssey, one of a number of consortia racing to build the first system capable of allowing calls to and from a pocket telephone to anywhere on earth. TRW was leader of the Odyssey consortium in conjunction with Teleglobe, a Canadian telecoms operator.

It also means that ICO will

Allianz

attempts to find a way round a \$1hm charge proposed by US authorities to compensate US users of radio frequencies, which will have to be reallocated if ICO is allowed to oper-ate over the US. TRW said it intended to return its operating licence for the Odyssey system to the US Federal Com-

TRW at one point attempted unsuccessfully to secure patents that would have given it exclusive rights to a satellite orbit 10,000km above the earth.

munications Commission and

focus on assisting ICO to

obtain authority for its system

to operate in the US and else-

against ICO alleging patent infringement. ICO has counter

Under the deal, TRW will receive 1.5m ICO shares with a face value of \$150m, representing a seven per cent stake in the London-based company. In return, TRW will work with ICO on the satellite project. sharing technical expertise. The two companies will grant each other cross licences for their respective patents, aban-

it is thought that the Odyssey consortium has invested about \$200m in the project. It has had difficulty, however, in securing sdequate funding and

doning litteation

have a strong ally in its It has since started litigation distributors for its services. ICO, on the other hand through more than 55 international investment partners. including Inmarsat, the pioneer of satellite-based mobile communications, British Telecommunications and DeTeMobil of Germany - can provide

> cations users on a global basis. It will be in competition with: Iridium, led by Motorola; GiobalStar, led by Loral; and Ellipso, owned by Mobile Communications Holdings - all of the US.

lridium

launch its first satellites in the latter part of next year and to offer service in 2000. All the consortia wiii have had to their telecoms networks.

leunched about half its constellation of satellites into low earth orbit and expects to offer

raise more than \$2bn to manufacture satellites and develop Joseph Gorman, TRW chair-

enable TRW to participate in snace telecoms at minimal risk. Olof Lundberg, iCO chief executive, said the alliance would help iCO expand in mar-kets where TRW has substantial goodwill. "It strengthens our market position in the US hy giving us an additional strong partner and access to

gronps. Centred around banks, zaibatsu were thought to have too strong a hold on the economy.

Since the war, businesses heve relied ou complex net works of cross-shareholdings in group companies to maintain corporate links.

The holding company law passed yesterday is part of the government'a efforts towards deregulation and Improving the competitiveness of Japanese companies. It wiii increase transparency, as the tangled cross-shareholding system can make corporate relationships end group accounting methods difficult to understand.

Some restrictions remain to prevent large bolding companies from acquiring too tight e grip on market seg-ments. A bolding company may not have assets of more than Y15,000hn (\$115m) or annual sales of more than Y600bu. It may not control five or more companies in related or interdependent industries or where each accounts for more than a Y300bn slice of their respective markets.

Daiei said earlier this year that it planned to be the first to take advantage of the change in the law. Daiei's new bolding company is to be called Daiei Holding.

Capitalised at Y75.3bu, the company will include 40 memher companies of the Datei group but will not include the Daiei supermarket chain itself or other listed or soon-to-belisted companies. The company will have assets of about

Isao Nakauchi, Daiei president, will bead the bolding company, which will be 15 per cent owned by Daiei. The largest stake - 75 per cent - will be owned by Sakae, en unlisted company within the

December 1997

is to acquire an equity stake in ICO Global Communications. The move marks the beginning of consolidation in the youthful satellite-based mobile phone industry.

Usinor in joint venture with Dofasco of Canada to open plant

close to French steel securing company targets control of AGF

By Andrew Jack in Paris and Paul Betts in Milan

Allianz, the German insurer, is on the verge of securing control of France's AGF, by agreeing a deal with Assicurazioni Generali, the Italian insurer which is a rival bidder for the insurance group.

A deal would bring to an end

the takeover battle for AGF which began when Generali launched a Ffr55bn (\$9.2bn) hostile bid in mid-October. Allianz followed with its own Ffr60bn-plus friendly counteroffer a month afterwards.

Under plans still being finalised, Generali is expected to abandon its bid for AGF in exchange for the right to acquire a controlling stake in-AMB, another German insurer, in which AGF has a dominant 33.5 per cent stake.

Generali is also expected to subsidiaries of Athèna, a sepa- home turf. rate French insurer - over which AGF is expected to win control in the next few days. AGF is acquiring its controlling interest in Athena as part of its friendly takeover of Worms & Compagnie, the

French holding company. As part of the agreement with Generali, AGF would retain control of AMB's Dutch operations. The sale of its stake in AMB is expected to generate about FFr6bn in capi-

tal gains. Allianz would sell its 5 per cent stake in AMB to Generali and attempt to ensure that its ally, Dresdner Bank, which owns e further 15 per cent of

AMB, supports Generali in the future under an arrangement which remains unclear. The French government is likely to make a decision in the next few days to approve formally Generali's bostile bid, more than two months after it was unveiled. An approval of

Allianz's friendly counter-offer could follow. The delay in official approval for the deal is likely to trigger a new debate over the degree to which the state interfered in the takeover battle, since a far more rapid decision on the Allianz offer would give the impression that approval of the Generali bid

was held up for political rea-There are still questions over the future control of Coface, the trede credit insurer, in which AGF holds a 57 per cent stake. Dominique Strauss-Kahn, the French economics, finance and industry minister, eaid recently he would find it difficult to allow the business to be controlled

by e "non-French" company. The AGF board is scheduled to meet in Paris on Friday to finalise details of the plans, while Generali's board is expected to meet aoon in Milan. A Generali official said yesterday that no agreement had yet been signed. "No signature is expected today, nor tomorrow," he said.

A few weeks ago, the Italian company called an extraordinary shareholders' meeting for January 10 to approve the new debt and equity issues which it would need to enter a bidding contest with Allianz. However, it also left the way open for a negotiated settlement Additional reporting by

Andrew Fisher in Frankfurt Safety at a premium, Page 11 | sales for a business that typi-

US car industry By Devid Owen in Paris and Stefan Wagstyl in London two other large makers, held

best in the world".

come onstream in late 1999.

subsidiary which is the Euro-

steels, will have up to 30 per

for Usinor, which reported a

small year-on-year decline to

net profits. In July, it lost out

to Arbed of Luxembourg in the

bidding for a Spanish govern-

ment stake in Corporación de

Usinor, the French steelmaker, is teaming up with Dofasco of Canada to build a C\$180m (US\$126.5m) galvanising facility with which it hopes to achieve a breakthrough in the hig US market.

our Canadian partner wbo The 400,000 tonne capacity plant - to be located in Hamilton. Ontario - will be mainly targeted at the North American car industry, in which it that, as a result of yesterday'a will supply galvanised sheet manufactured under the French group's Extragal process. Start-up is expected in

mid-1999. It will be the first time this product - which has sold well in Europe, where Usinor is the largest supplier of steel to the automotive industry - has been made available to the big buy GPA and Proxima - two Detroit carmakers on their

> The French company's supplied mainly by Dofasco. advance will increase competi-tion in North America where steel companies are being thrust together by tough trad- FFr801m (\$134m) in first-half ing conditions. This week, Bethlehem Steel, the second largest US steelmaker, agreed to pay \$400m for Lukens, a specialist manufacturer of plates la Siderúrgica Integral. and stainless steel.

US Steel and Inland Steel, formance is picking up, how-



Another door opens: Usinor chairman Francis Mer indicated it would open three more plants by the end of the century This has been a mixed year

would show an improvement from the previous year when net profits reached FFr1.49bn. He is now "quite sure that the beginning of next year will be

The company's financial perquite agreeable".

ever. Mr Mer has already fore- back, Usinor still hopes to play cast that 1997 full-year results an active part in the continuing consolidation of the European steel sector.

The company is widely seen as e possible partner for Cockerill Sambre should the Belgian group decide to forge an

Zeneca in \$500m deal to strengthen agrochemicals

By Daniel Green in London

Zeneca, the UK pharmacenticals company, yesterday signalled its commitment to the agricultural sector by paying \$500m for a US fungicide husiness owned by Japanese chemicals company Ishihara

Sangyo Kaisha. The deal would allow Zeneca to challenge its rivals in the \$32bn-a-year agrochemicals market, said Michael Pragnell. chief executive of Zeneca agro-

chemicals. The company, with 1996 sales of \$2.6bm a year, is currently third behind Monsanto of the US on \$3bn, and Switzerland's Novartis on \$4.3bn.

Following the deal, Zeneca will manufacture and distribute a fungicide called Chlorothalonil. It will be sold alongside Amistar, Zeneca's new fungicide.

Although Chlorothalonil is an old chemical that has lost patent protection, Zeneca hopes that using it alternately with Amistar will kill fungi that have become resistant to Amistar.

The Ishihara Sangyo Kaisha business made pro forma operating profits of \$43m on sales of \$240m in 1996. The purchase price is \$410m, with another \$90m paid for distribution rights of which \$25m is conditional on regulatory approval for some new products. Zeneca shares rose 49p to

cals analyst with stockbroker Merrill Lynch, in London, said it was a good deal for Zeneca. "Zeneca paid about 1.7 times

Nigel Barnes, pharmaceuti-

times sales. Margins of 18 per cent mean that earnings will be enhanced and there will be cost savings of about \$35m a year." he said.

Zenece's determination to stay in agrochemicals contrasts with some rivals that have decided to sell out in light of the strength of Monsanto and Novartis, partly based on the application of

genetics research. Mr Pragnell said the deal should be seen in the context of the company's acquisition earlier this year of Dutch plant biotechnology company Mogan. That deal would take the company through to "second generation" genetically engineered crops that would have built-in resistance to

frost or disease The Chlorothalonil acquisi tion will have its effect much sooner, taking Zeneca from number eight in the world fungicide sales rankings to number one by 2000, according to Mr Pragnell

This will mean overtaking the industry's giants including Du Pont of the US and German companies Agrevo, BASF and Bayer.

The acquisition would be earnings neutral next year, said Mr Pragnell, because of a \$35m restructuring change to be spent largely on job cuts. The husiness employs about

500 people, 400 in North America, the rest in Latin America. It has a manufacturing site at Greens Bayou, near Hous ton in Texas, and administra tion at Cleveland, Ohio.

Announces the formation

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COMPANIES AND FINANCE: THE AMERICAS

Further management moves at CSFB

By William Hall in Zurich

Credit Suisse group has reshuffled Suisse First Boston investment banking arm for the second time in 18 months. Allen Wheat, 49, who founded the group's successful derivatives business, is promoted chairman and chief executive.

Mr Wheat, who will split his time between New York and Zurich, Mr Knabenhans. replaces Hans-Ulrich Doerig, 57, a

ADM, the Illinois-based

agricultural trading group,

has agreed to buy the soya

processing business of Sadia,

Brazil's biggest meat proces-

It marks a further step in

sor, for about \$165m.

in São Paulo

appointed chief executive of Credit job at CSFB in last year's reshuffle, its ranking in the US league tables Suisse First Boston last year.

Mr Doerig has been given the job the top management of its Credit of chief risk officer of the Credit mer McKinsey management con- its claim to be a "bulge bracket" Suisse Group, filling a gap left by Walter Knahenhans, 47, who has joined Julius Baer, Switzerland's biggest independent private bank. Mr Doerig has been promoted to

vice-chairman and retains a posttion on the executive board, unlike

The appointment of Mr Wheat,

eoya industry and follows

ADM's announcement in

May that it would buy soya

handling and port facilities

in Brazil and Paraguay from

The value of the Sadia

deal, which covers foor pro-

cessing plants with com-

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Glencore International.

the consolidation of Brazil's bined capacity of 1.8m

ADM buys soya processing business

in the next month.

tonnes a year and 12 ware-houses, is based on asset and

stock values at the end of

October and may be adjusted

before completion, expected

ADM confirmed the deal

had been agreed but

declined to comment further.

is the first significant appointment for the share of straight bond since Lukas Mühlemann, 47, a forsultant, took over as chief execu- firm in the US. tive of Credit Suisse at the start of

CSFB employs more than 11,000 . staff and claims to be one of the world's top three securities concerns in terms of its \$21bn of capital.

In the 1997 first half, it increased Credit Suisse veteran who was who was passed over for the top pre-tax profits by 50 per cent, but ful amalgamation of the group'e retiring.

issues and equity offerings belies

Meanwhile, in Europe it appears to have been overshadowed by the comparative success of SBC Warburg, the investment banking arm of its smaller Swiss rival.

Mr Doerig, who has a reputation as one of Credit Suisse'e troubleshooters, has overseen the success-

groups," he said.

The company'e annual

turnover would fall from about R\$3.1bn (US\$2.8bn) to

R\$2.6bn as a result of the

international operations with the old CS First Boston. However, Mr Wheat's promotion is a sign that Mr Mühlemann is intent on bringing on a new generation of younger bankers to drive the business forward.

Meanwhile, Robert O'Brien, 54, head of global corporate banking and structured finance at CSFB, has been appointed CSFB's chief credit risk officer. He replaces Christopher Roberts, 59, who is

group Arléu Aloisio Anhalt, mar- brand and good distribution, than in commodities, where we are competing more and more with big international

By John Authors

Georgia-Pacific, Atlanta-based paper and fimber company, yesterday launched a separate class of stock - known as The Tim-

Under the plan, shares in The Timber, which will track the company's large forestry business, were issued to Georgia-Pacific shareholders on a one-forone share basis, at a price of \$25. Earnings from this business are more stable than from the company's other businesses, which are highly exposed to commodlty price fluctuations, so the exercise should bolster

value for shareholders.

opening price.

Chip Dillon, paper analyst at Salomon Smith Barney, opened coverage of The Timber with a recommendation that it would outperform the market, and predicted that the shares would reach \$32 said earnings per share for The Timber would be helped

The move belped to coun-

Paper separates timber

ber Company – as part of its complex plan to raise share-holder value.

The shares were among the most actively traded in morning dealing on the New York Stock Exchange. The price fluctuated, and by trading slightly below their

Shares in Georgia-Pacific itself, which will continue to reflect the company's main pulp, paper and building products businesses, enjoyed a strong morning, gaining \$3%, or more than 6.25 per cent, at \$63% by mid-

by modest increases in timber prices.

teract growing evidence that the Asian financial crisis has seriously affected the North American pulp and paper industry.

AMERICAS NEWS DIGEST

3M warns on strong dollar

Minnesota Mining & Manufacturing (3M) yesterday joined the growing list of US companies warning that the strong US dollar and the international economic hiatus in Asia and South America would depress profits.

3M, which has manufacturing operations ranging from medical products to floor coverings, said the increasing strength of the US dollar would "have a large negative impact on results" for the fourth quarter of 1997. "3M estimates that currency effects will reduce fourth-quarter earnings by more than 10 per cent," it said. Livio DeSimone, 3M's chairman, said: "Economic weakness in Japan, Asia and Brazil, as well as more moderate US sales growth are holding back fourth quarter sales and profit gains." Overail, the company estimated its fourth-quarter earnings would only be "similar" to the final three months of 1996, when it made \$375m after tax, or about 90 cents a share. That was well below the \$1 a share analysts had pencilled in for the final three months, according to First Call, with the average estimate for 1997 overall standing at \$4.05. Shares in 3M tumbled on Wall Street yesterday, falling by \$6% to \$87% by mid-morning – a loss of more than 6 per cent.

Nikki Toit, Chicago

■ EMERGING MARKET COMPANIES

Strong year for ADR listings

Companies in emerging markets had one of their best years on US exchanges in 1997, in spite of turnoll in Asian markets, with more than \$11bn in new capital raised, according to a Citibank report to be published today. Emerging markets accounted for 65 per cent of the total amount raised in American Depositary Receipts, which Citibank estimates will total \$17bn for the year. Although 1997 was a strong year for ADR listings in the US, the full-year figure represents a 13 per cent decline from last year's total of \$19.6bn.

The number of new listings also fell, according to Citibank, from 272 in 1996 to an estimated 245 this year. "Had it not been for the last couple of months of turnoil in Asia, we would have come close to a new record." said James Donovan, global managing director for Citibank's depositary receipt business. John Labate, New York

■ ROLLING BEARINGS

Timken buys Romanian producer

Timken, the biggest US maker of industrial rolling bearings, is extending its interests in eastern Europe by pay-ing \$37m for a majority stake in Rulmenti Grei, a Romanian bearings producer. Timken, which has annual sales of more than \$2,4bn, is attempting to extend its operations outside its main markets in the US and western Europe, and has started production operations in China and Poland. Rulmenti, set up in 1979, employs 1,000 people and makes bearings for industries including steel mills and oil and gas production.

Peter Marsh. London

■ PRINTING PRESSES

Goss Graphics scotches bid talk

Goss Graphic Systems, of the US, the world's biggest maker of newspaper presses which was formerly part of Rockwell International, the industrial company, yesterday scotched talk of a takeover bid by Heldelberger Druckmaschinen of Germany, a rival printing press company, by saying it was not for sale.

The Chicago-based company also announced a 60 per an independent company. The rise in income, in the year to September 30, compared with \$30.1m in the previous year and excluded a \$46.7m charge involving the writing-off of inventory at the time Rockwell sold the company, to Stonington Partners, a private investment group. Sales for the year fell 9.5 per cent to \$632.8m.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

\$18.1bn

Silicon Graphics agree alliance said he would step down as

Microsoft and

Microsoft, the world'e largest software group, and Silicon Graphics, the graphics work-station specialist, are to combine their technologies to create a new graphics standard for Microsoft's Windows operating systems.

ket relations manager at

Sadia said the sale would

enable the group to concen-

trate on its core branded

higher in branded meats,

where we have the competi-

"Our margins are much

meats activities.

The two companies will combine Silicon Graphics' sic Park. OpenGL and Microsoft'e DirectX technology to create a new high-performance graphics standard, called Fahrenheit.

The deal represents breakthrough for Microsoft, which NT. Earlier this year, Silicon has positioned its Windows Graphics surprised the NT operating system as a industry by announcing It standard for corporate com- would enter the Intel-based puting, including engineer-Microsoft said it had

planned to use the technol- Microsoft and Silicon Graphogy in its flagship Windows ics comes less than 24 hours NT software, but would also now incorporate it into its announced that it had general purpose Microsoft signed a co-operation and Windows 95/96 operating sys- cross-licensing agreement tem and Windows CE software designed for hand-held sumer devices.

fcon Graphics, whose finan- Merced microprocessor. cial performance in the past man and chief executive. Windows NT.

on the rocks. All attempts to

keep the problems inside the family broke down yesterday with the news they are seek-ing outside help. They may

still end up under the same

roof - but things will never be the same again.

It is going to be a long and

real puzzle is trying to work out what went wrong. It seemed to be the perfect

match. Under the family

name of Andersen Worldwide, the two separate busi-

nesses were powering ahead. Group income rose from \$9.5bn to \$11.3bn in the year

to August 31. AC increased

revenne 25 per cent to

\$6.1bn. while AA saw 13 per

The group is at the top of

cent growth to \$5.2bn.

pass regulatory scrutiny.

the investment needed to

win a share of the expanding

market in servicing global

in many ways, the merger

partners are seeking to repli-

cate the growth enjoyed

but particularly within

AC, whose 20 per cent-plus

growth is the benchmark.

AC has consistently forged

Silicon Graphics is best known for its high-performance, graphics-intensive computers built around its proprietary technology. They are used by engineers to design cars and spacecraft, and by special effects experts for films like Juras-

found its market share under attack in recent years from cheaper machines built around standard Intel microcessors running Windows workstation market in

However, the company has

The agreement between with Intel. Under that agreement,

mid-1998.

together to develop a version However, the deal is also of Sun's Solaris operating seen as a high-risk defensive system which will run on move by California-based Sil- Intel's next-generation Intel's agreement with Sun

two years has disappointed is seen by industry analysts Wall Street. In October, as an attempt to reduce Edward McCracken, chair- Its reliance on Microsoft

Andersen dream turns into nightmare

Tension between consulting and auditing spoils what seemed a perfect match be marriage of Ander-sen Consulting and Arthur Andersen is

Ernst & Young/KPMG



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Numbers game

on at the strategic level to belp businesses globalise and deal with cross-border problems such as recruitment and remuneration.

the traditional "Big Six" Ironically, it is the explosive growth in this sector that has destabilised Andereague - and will remain a significant force even if proposed mergers in the sector sen Worldwide. AA was founded in 1913 in Chicago, The remainder of the Big but in 1989 it separated the Six are in turmoil as four of consulting business from the them - Coopers & Lybrand and Price Waterhouse, and more traditional audit, tax and accounting business. In Ernst & Young and KPMG seek to finalise two global become independent busimergers designed to provide nesses under an umbrella

organisation.

business has outstripped its have moved into separate parent. It is more than a buildings. colncidence that the row out just when AA has found income and revenue growth.

ahead in opening up the high-value-added end of the consulting market. The merging Big Six part-traditional accounting ser-ners want a slice of this mar-vices: add to that the fact vices, add to that the fact ket, which involves service that the consulting side has provision for big clients just 1,000 partners, compared providing IT systems, outwith 1,700 on the accounting sourcing deals, and assisting side, and a clear wealth business transformation. divide separates the two sis-They, too, want to be called



been contained, but then turf wars broke out. Jim Wadia, new head of AA, has vision for his firm which looks very different from traditional accounting. What most people think of as consulting is included - and

much more. AA is understood to generdeveloping all its services many ways, they have including audit - to provide more strategic advice to cliresult, partners from the two Two problems have bedev-sides have found themselves illed Andersen ever since. stepping oo toes for some First, the upstart consulting time. In some cities they

The documents issued yeswithin Andersen Worldwide between them has broken terday by AC give a blow-by-blow account of how itself the junior partner in It believes that AA has bro-terms of both absolute fee ken the so-called Florida accords of 1990, which set Second, there is a disparity out complementary - but in partner earnings. Consult- separate - development ing is more profitable than rules for the two businesses.

Meanwhile, AC is trying to Microsoft and Du Pont, and Executives at AC complain

These tensions could have is to be linked to the AA brand, with its associations of low-value auditing. These tensions could not have surfaced at a worse

time. While the rest of the Big Six flirt with mergers, Andersen Worldwide has been arguing with itself. Mr Wadia is confident the business can thrive without a ate more than \$500m in con-sultancy services. But it is Andersen Consulting would leave his firm the smallest of the Big Six - not a comfortable brand image, and a posents, especially on tax. As a sible target for a merger

Meanwhile, AC is trying to create the first truly global firm to meet the challenge presented by giants such as EDS and IBM - as well as by The tensions within Anderconsultancy businesses of sen are likely to be present the new, merged Big Foor within the global firms they firms. The last thing AC needs is distraction.

Il these problems are compounded by the governance structure of Andersen Worldwide, which is now in gridlock. blaze a trail in new markets The majority on the board is - collecting fewer bot bigger held by AA. Several clients, including BP, Shell, attempts to elect a new chief executive have failed, as has doing much more for them. a project (known as Andersen 21) to map a way forthat the last thing they need ward. Income distribution

mechanisms - which currently channel a reported \$100m to AA from AC appear to add insult to

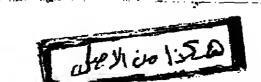
mjury. These tensions became public last year, but a breathing space was created by the appointment of an interim head of Andersen Worldwide. The two sides were told to go and cool

But it is now clear that AC is fed up being the jumor partner. It claims AA refuses to reform; bence the decision to seek arbitration.

It may be a fatal encounter for Andersen Worldwide, but it may also spell trouble for the remainder of the Big Six. are all trying to build.

If consulting continues to outperform andit and accounting, it will increase the likelihood that the merged firms will not try an Andersen-style split between consulting and audit. It also means that any moves by regulators to split audit from other services could be enough to derail the

Jim Kelly



BRURNDAY DECT MIR R IN Day

warns on ng dollar

The entrangement of the second of the second

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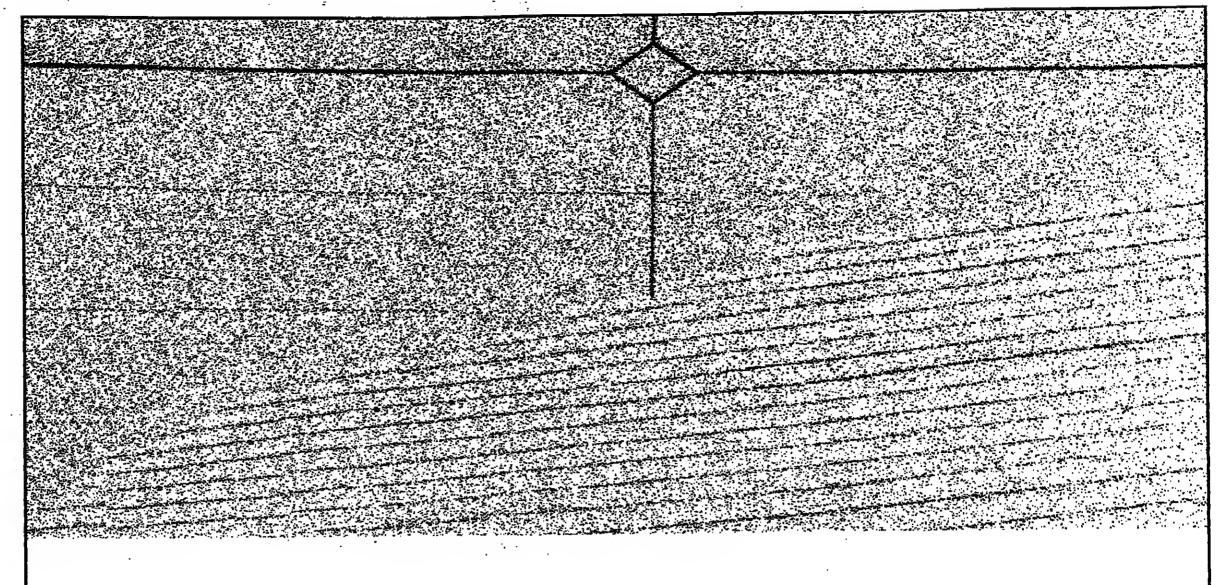
raphies scotches bid talk

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FINANCIAL TIMES THURSDAY DECEMBER 18 1997



Together We Already Handle 12% of all Transactions on the NYSE.

Together We're Already the First Choice of More CEOs to Take Their Company Public.

Together We're Already Advising on the Largest Announced Merger in History.

COMPANIES AND FINANCE: ASIA-PACIFIC

Sanwa plans to buy Yamaichi Investment Trust

By Gillian Tett in Tokyo

Sanwa, one of Japan's large financial deregulation. commercial banks, is drawing up failed last month.

chase of Yamaichi Investment anese finance. Trust to build up an asset man-

Japan's planned "Big Bang"

The move highlights the growplans to buy the investment trust ing aspirations of big Japanese arm of Yamaichi, the country's banks to turn themselves into fourth largest broker which universal banking operations. It is also another sign of the chang-Sanwa aims to use the puring nature of business ties in Jap-

instead to Sanwa's rival, Fuji, ment, However, Fuji has decided it does not want to retain links with the group and Yamaichi's affiliates

are seeking other purchasers. Sanwa hopes to complete the purchase with Merrill Lynch, the US investment bank. Merrill Lynch yesterday acknowledged it was considering the plans but

If Merrill Lynch declines, Sanwa is considering purchasing Yamaichi's investment trust operations by itself in order to Y1,480 yesterday. expand its asset management the investment trust hosiness is Y15bn (\$115m).

Sanwa is one of the least trou-

recent weeks it has attracted new as Sanwa were formerly barred deposits from retail clients and from participating in this line of Tokyo, the US group has been its share price has risen from business, they will be permitted wary of taking on a commitment about Y1,000 five weeks ago to to enter it next year.

skills. The shareholder equity of its asset management operations that it does not have sufficient because the market in mutual international asset management ucts is expected to surge after does take part in the deal, it is parts of the Yamaichi group.

Sanwa wants to join with Mer-The bank is keen to build up rill Lynch because it recognises

Yamaichi, which has been linked had not yet reached a firm agree- hied of the commercial banks: in Big Bang. Although groups such likely to take only a small stake. Like many western groups in to any potentially troubled Japanese institution.

Yamaichi Investment Trust is 18 per cent owned by other members of the Yamsichi family. It is funds and other investment prod-skills. However, if Merrill Lynch considered one of the healthler

Model Taiwan company becomes high flyer

aiwanese companies are renowned for their agility and ingenuity, but a toymaker moving into aerospace stretches the imagination. However, Thunder Tiger is no ordinary toy company, and its founder, Aling Lai, is no

ordinary businessman. in an illustration of how Taiwan is re-engineering its economy, one of the world's leading manufacturers of radio-controlled model aircraft has landed government contracts to develop jet

Taiwan is keen to foster an aerospace industry and is encouraging manufacturers to begin by making components, eventually moving to vertical integration of the industry - much as Taiwan's high-technology sector has done since the early 1980s.

In April, Thunder Tiger signed a \$2m contract with prototype 60lb thrust engine for military and industrial

purposes. The military will first shop, there was no use the engine for remotewhile in the industrial field it will be used for turbine generators. The engine will be based on a 15lb thrust turbojet that Thunder Tiger now makes for its model air-

Thunder Tiger is also co-operating with the government's Chung Shan Institute to build an unmanned aerial vehicle for military surveillance purposes.

"From toys to aerospace sounds crazy, doesn't it?" chuckies Mr Lai, who founded the company in 1974 as a retail hobby store and built it up into a manufacturing and distribution operation, with factories in Taiwan and China and a distribution arm in the US. "But we see a lot of opportunities in the aerospace field. and our R&D team is capable the government to develop a of developing advanced tech-

nology products."

hobby industry in Taiwan, controlled decoy aircraft, so he imported all his materials. But the import duty was a hefty 150 per cent, eo he began manufacturing small parts such as wheels. "Then I realised the engine was the most important part, so I searched for a machine shop and started to manufacture two- and four-stroke engines." When manufacturing costs in Taiwan began to soar, he opened an assembly site near Shanghai.

The transition from models to aerospace may sound crazy, but it is not. To prodnce engines for model aircraft requires advanced technoiogy, engineering and rigorous quality control - all of which are needed for aerospace components.

It also requires large capital investments in machinery and equipment. Mr Lai estimates he has spent \$4m in the past two years on new When Mr Lai opened his machines, and plans to averaged between 5 per cent



Aling Lat: piloting his group's move into aerospace

spend another \$2-\$3m and 7 per cent of revenues upgrading equipment over Mr Lai says. In 1997 they will the next few years.

be between 12 per cent and Research and development 15 per cent. Of the 149 staff are also crucial. For the past in Taiwan, 30 are employed ten years, R&D costs have in R&D.

In a vote of confidence for

the modei-maker. Citicorp Capital Asia, the venture capital arm of the US-based bank, last May bought a 15 per cent stake.

Thunder Tiger has also been aggressively expanding its modelmaking business. Last June, tha company bought Ace, a US maker and distributor of radio-controlled models based in Higginsville, Missouri. With thet purchase, Mr Lai expects Thunder Tiger will capture a 55 per cent market share in the US next year. The market share in Europe is about

40 per cent. "Due to cutting out the middleman we will make a much higher profit," said Mr Lai. The company will also distribute wholesale 60 other brands from around the world and seeks to become the third biggest hobby distributor in the US next year. It aims for sales of \$20m this year and \$25m in 1998.

Laura Tyson

CNAC disappoints on debut

Shares in China National Aviation Company, the latest "red chip", or mainlandbacked company, to join the Houg Kong stock market, failed to take off yesterday, writes Louise Lucas in Hong

shares closed unchanged at HK\$1.63, despite a 3.35 per cent rise in the market overall. CNAC's unimpressive debut comes as the red chip sector has seen signs of

renewed activity after the recent sell-off. Last week. Tiantin Develnt Holdings rose 24 p cent from its issue price, while two other big red chips surged yesterday on

news they are to be included in the benchmark Hang Seng Index. attributed Analysts CNAC's performance to its pricing. Compared with other aviation stocks in Hong Kong it is expensive: it was launched on a price/ earnings multiple of about 12 times against a multiple

of about seven for China

Sonthern Airlines and China

Eastern Airlines. Cathey Pacific, Hong Kong's own airline which is euffering from Asia's currency turmoil and a dearth of tourists, is trading on a p/e of about five times.

ASIA-PACIFIC NEWS DIGEST

Great Eagle scraps Al-Waleed deal

Great Eagle has scrapped its planned alliance with a Saudi investor which was to have formed the platform for the Hong Kong property group'e expansion into the US.

The deal with Prince Al-Waleed Bin Talal Bin Abdulaziz Al-Saud would have seen Great Eagle acquire stakes in six Fairmont Hotels, but it fell apart over "unresolved business issues" unrelated to financing or pricing, the group said yesterday. The split was amicable and by

mutual consent, it added. The failed deal leaves Great Eagle with HK\$1.09bn (US\$141m) cash, which it raised through a share placement last month in anticipation of the hotels acquisition. Lo Ka-shui, deputy chairman and managing director, said the cash would be reserved for future investments: "The ample liquidity we have on hand will place us in a position of strength to further our corporate objectives. There were no immediate acquisition targets, and the group said it had not yet decided whether to keep the

money in local currency or US dollars. The alliance with Prince Al-Waleed was struck in September. It entailed Great Eagle's buying a 50 per cent stake in three Fairmont US hotels and a 50 per cent stake in Fairmont's management company from Swig Investment for US\$100m, with Prince Al-Waleed holding the bal-ance. Great Eagle had further agreed to pay US\$40m for half of the prince's stakes in three other US hotels.

Great Eagle's share price rose 0.3 per cent to HK\$11 on the news, underperforming the main market. However, some analysts welcomed the collapse of the deal, saying it lessened the need for another cash call and that interest savings would enhance earnings.

Louise Lucas, Hong Kong

■ TOILETRIES

Kao to wind up US division

Kao, the Japanese toiletries and cleaving products manufacturer, is to liquidate its main US subsidiary as part of a restructuring of its overseas operations. The closure of Kao Corp, based in Delaware, will lead to a Y21.4bn (\$163m) exceptional loss for the parent company in the current financial year, but Kao said it was leaving its profit forecasts unchanged. Kao Corp has three main divisions, involved in home, industrial and information technology products. Kao has already announced moves to scale down areas of its US business, particularly the production of floppy disks by its IT subsidiary. Bethan Hutton, Tokyo

THAI SECURITIES

Singapore group buys into Nava

Vicker Ballas, the Singapore securities company, said it had acquired a 49 per cent stake in Nava Securities, one of Thailand's largest securities brokers. Vickers will pay about Bt1bn (\$38.15m) for the stake in Nava, which until now has been a wholly owned subsidiary of Nava Finance & Securities.

The purchase of Nava is part of an expected wave of takeovers of That securities companies by foreign investors. At least 20 securities licences held by the 56 finance companies which were closed last week hy Thai authorities are likely to be auctioned next year. Securities operations of finance companies that remain open, such as Nava, are also likely to be partially sold to foreign investors as the parent finance companies seek to liquidate their profit-making securities divisions to shore up

the finance sides of their business For example, Phatra Thanakit, the country's largest finance company, said yesterday that it iost Bt6.02bn in the 11 months to November 1997, compared with a net profit of B1.46bn for all of last year. The loss was caused chiefly by a Bt6.43bn increase in joan-loss provisions. The company funded much of the provisions by selling a 49 per cent stake to Thai Farmers Bank.

Ted Bardacke, Banake



EUREKA promotes international co-operation between companies and research institutes in order to develop innovative products and processes. EUREKA has 26 members, 15 of which are E.U. member states.

European Technology Exhibition | Brokerage Event

Co-operation with other regions of the world, especially with Asia, is one of the priorities of the Portuguese Chairmanship of the EUREKA Initiative. A one week special series of events will be organised in Macau with the support of the Macau Government and the Chinese authorities.

European Technology Exhibition 37st March to 4th April

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International Conference and April

Participating in these events will represent an opportunity for European companies to develop contacts with Asian companies and institutions



EUREKA Portuguese Chairmanship

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First International Funding Co. Floating Rate Notes

Pursuant to the Indenture dated as of June 3, 1993 among the Issuer, State Street Bank and Trust Company as Trustee, and Financial Security Assurance Inc. as the Insurer, notice is hereby given that for the Interest Accrual Period of Occember 8, 1987 through and including March 2, 1898, the applicable Note Interest Rate for the Notes due 1998 is 6,45625%.

Yasuda Trust and Banking (Luxembourg) S.A. US\$ 50,000,000

Floating Rate

Guaranteed Notes Due 2000 with Fixed Rate Option Guaranteed by The Yasuda Trust and Bankin Company, Limited

occ with the provi of the Notes, natice is hereby given that the rate of interest for the interest period 18th December 1997 to 18th June 1998 has been fixed at 6-30625% p.a. The coupon amount payable on 18th June 1998 will be US\$ 159.41 per US\$ 5.000 Note.

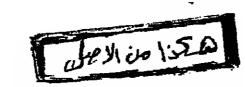
The Yasuda Trust and Banking Company, Ltd. Loodou Agent Bank

RPS Property Securities No.3 PLC £150,000,000

Class AZ Notes Mortgage Backed Floating Rate Notes due 2025

Notice is hereby given that there will be a principal repayment of £3,694 per £100,000 Note pursuant to Clauses (Sb) of the Note on the interest payment date 29th December 1997. The principal amount out-standing on 30th December Standing on 30th Dece 1997 will therefore

NATWEST MARKETS



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FIC NEWS DIGEST

Eagle scraps alced deal

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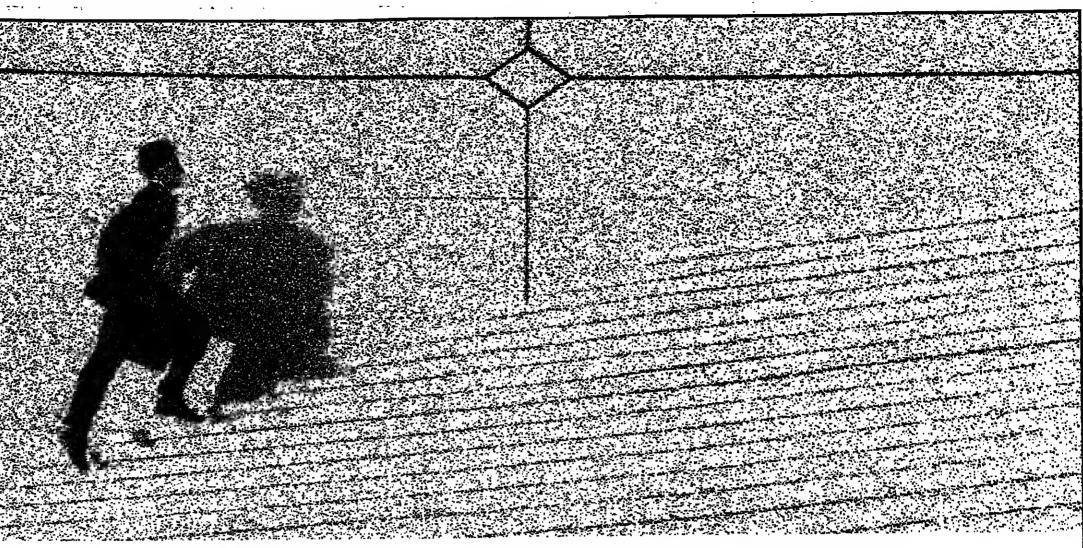
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17



And We're Just Getting Started.

SALOMON SMITH BARNEY

Slide in Sappi stake takes toll on KNP

in Amsterdam

KNP BT, the Dntch packaging and distribution group, is to take a Fl 300m (\$149m) extraordinary charge this year because of a slide in the value of its 20 per cent stake in Sappi, the South African buyer of its paper-making division.

The announcement was accompanied by the departure of Rob Bonnier as chief

By Robert Corzine

their interests in the Dur-

ward and Dauntless oil

fields in the UK sector of the

Saga, which has a 23.5 per

cent stake in the fields, said

a "realistic" writedown would be in the \$50m-\$60m

range, while Amerada Hess,

with a 28 per cent share,

said it would take a charge

of up to \$60m in its fourth-

fields are DSM Energy, Brit-

ish Borneo Petroleum Syndi-

cate and Seafield Resources.

which are operated by

Amerada Hess, began pro-

duction last August. Amer-

ada Hess said early produc-

tion information showed that reserves were probably

"toward the bottom end of

the range originally antici-

The partners said addi-

tional work would be done

looking at additional pros-

be developed using the exist-

Durward and Dauntless,

The other partners in the

financial officer. Mr Bon- paper merchanting and the general rule," said Pieter nier's resignation comes five office products. days after Frank de Wit quit as chairman, in an apparent boardroom coup.

It emerged yesterday that without consulting the supervisory board, the two had initiated talks on the further dismantling of the group. They approached Hagemeyer, a Dutch trading company, with a merger proposal for the distribution their backs. division, which includes

Packaging activities were

also to have been sold, nothing left of the group cre- ready to execute." eted through a three-way The company said there tie-up in 1993. Although the were "personal reasons" Hagemeyer talks were inconclusive, KNP's non-executive have been outraged that these had taken place behind

"Timely consultation is

Barbas, company secretary. "A supervisory board never likes to be confronted with a into loss last year. He agreed loss is only modestly offset meaning there would be transaction only once it is The company said there

behind the departure of the Johannesburg about borrow in bottom-line profits, which finance chief. Last Friday it ing levels at Sappi - which stood at Fl 222m for the first directors are understood to said the chairman was assumed Leykam's F114bn nine months. departing because the nature debt - its share price slid. of its business had changed KNP BT said it would book suffered from concerns over following the Fi 1.5bn Sappi deal, agreed in September.

paper-making side, known as KNP Leykam, which slid to take half the proceeds in by a Fl 20m gain from the

the share value in its year- the Sappi holding, rose end accounts at the R27.50 Fl 2.30 to Fl 45.50.

R43.85 apiece.

The resulting F1 800m book Sappi shares, valued then at sale of its plastic packaging business to Tenneco, of the But amid worries in 'US. It will make a large deut

KNP shares, which had

EUROPEAN NEWS DIGEST

Russia move

AssiDoman, the Swedish forestry company, said yesterday it was withdrawing financial support from its jointly owned pulp and paper mill in the Russian province of Karelia after a dispute over working capital. The company, which in July acquired a 57 per cent stake in the Segezhabumprom mill for SKr350m (\$45m), warned it could no longer finance the loss-making project on its

It has asked Boris Nemtsov, Russia first deputy prime minister, to intervene to persuade the mill's Russian shareholders to finance some of its working capital requirements. Some industry analysts suggested that AssiDomān'e action signalled growing concern among Swedish investors at the financial risks involved in Russian manufacturing projects. The company's involvement in the Segezhabumprom mill has been dogged by bureaucratic difficulties and tax disputes, culminating in a move hy the Karelian state prosecutor to declare AssiDoman's share ownership illegal.

The mill has also been hit by negative cash flow, forcing it to take out loans to underpin working capital. Assi-Doman said it was no longer willing to provide security for such loans. Lennart Ahlgren, chief executive, described the situation as unacceptable, he emphasised that the group intended to press ahead with investments elsewhere in the former Soviet Union, dominated by a new corrugated board plant outside St Petersburg. Shares in the Swedish group fell SKr5 to SKr194.50.

■ BAYERISCHE VEREINSBANK

Dutch acquisition planned

Bayerische Vereinsbank, which is involved in a merger to create Germany's second biggest bank, plans to expand in the Dutch property financing market with the F1 700m (\$348m) purchase of FGH Bank. With total assets of some FI 7bn, FGH is one of the three largest property banks in the Netherlands. The price is slightly above book value. Vereinsbank, which is merging with Bayerische
Hypotheken- und Wechsel-Bank, is buying the bank from

Aegon, the Dutch insurance group. Aegon said the transaction, expected to take effect in the first half of 1998, would have a slightly negative impact on earnings growth per share. FGH made a net profit last year of FJ 85m.

The sale is being made because FGH, a specialised com-mercial property bank, is not part of Aegon's core business. The acquisition fits in with the strategy of the Bayarian banks - whose combined name after the merger will be Bayerische Hypo- und Vereinsbank - to expand across Europe in such areas as mortgage and property banking, asset management, and corporate finance for medium-sized companies. The merged bank will be Europe's market leader in property financing. Andrew Fisher, Frankfurt

HUNGARY Oil privatisation continues

APV, the Hungarian privatisation agency, is preparing to sell 11.2 per cent of the shares in Mol, the state oil company, for a nominal price of Ft10bn (\$30m), Hungarian radio reported yesterday. The sale is expected to take place in late February. Mol officials said the sale would be the third and final Mol share issue and will reduce the state's share in Mol, Hungary's second largest company. to 26 per cent. One per cent of the equity will be reserved for Hungarian individuals, with an extra 2 per cent evailable in case of oversubscription. The news pushed Mol shares up Ft65 to Ft4.860 on the

Budapest Stock Exchange. Anatol Lieven, Budapest

Shares in Raba, the Hungarian truck maker, closed yesterday at Ft2.985 on the first day of trading on the Budapest Stock Exchange, almost double the offer price of Ft1,475. Yesterday's price values the company at about

Raba, based in western Hungary, makes axle assemblies, smaller trucks and engines. After a complicated pri-vatisation, which began in September, the company is left with five large shareholders, each with a 10 per cent stake. An international and domestic private placement to institutional investors for an 18 per cent stake in November was 6.8 times oversubscribed. Kester Eddy, Budopest

■ ENGINEERING

Kvaerner to buy Romanian groups

Kvaerner, the Norwegian shipbuilding and construction group, yesterday agreed to take controlling stakes in two Romanian engineering groups for \$60m, including invest-ment commitments. About half the money will come from the EBRD, which may take an equity stake in return.

Further investment by Rabobank

Rabobank, the Dutch agricultural bank, is to invest a fur-ther 38m zlotys (\$10.6m) in Rabo-BRP, a Polish agriculture bank in which it took a 51 per cent stake 18 months ago. The decision to increase Rabo-BRP's capital to 75m zlotys came after the Dutch bank bought out the remaining investors to take full control of its Polish affiliate. Rabobank is the first foreign bank in Poland catering specifi-

cally for the farming sector. Christopher Bobinski, Warsau larson cautious o

Antook may titel

■ FORENINGSPARBANKEN

Staff cuts to hit 1997 results

ForeningsSparbanken, the Swedish bank, said yesterday it would take a charge of SKr900m (\$115.5m) in its 1997 results for early retirement costs, as part of a plan to reduce staff numbers by et least 2,000 over the next two years. The bank - the result of a merger between Swed-bank and Foreningsbanken - said it had sold branches in Sweden to a value of SKr3.6bn

Alitalia picks KLM Amerada Hess and Saga asset as European partner

writedowns

Alitalia, the Italian national carrier, was last night poised Amerada Hess, the US oil to end the long battle over company, and Suga Petroits choice of a strategic European partner by announcing it had opted for KLM Royal lenm of Norway warned vesterday they would make big writedowns on the value of Dutch airlines.

In spite of pressure in recent months from the French government for Alitalia to team up with Air France, the Italian company'e board was expected to announce plans for a strategic alliance with the Dutch carrier - further consolidat ing the European airline

Alitalia has made little KLM, arguing that the alliance would be a better technical fit than either Air France or Swiss Air, its to increase market share in

The Italian carrier has a ian region, where many paslarge domestic market but a sengers now travel by land relatively underdeveloped to neighbouring countries relatively underdeveloped network of long-distance routes. KLM, meanwhile, has a strong tradition of long-distance flying but has been looking for a substandomeatic market in which to gain a foothold.

The partnership does not involve an exchange of shares and will focus on streamlining the routes and services provided by both airlines. Officials close to the deal said the airlines would aim to create a co-ordinated trans-continental service centred on three European hubs - Malpensa airport in ecret of its preference for Milan, Fiumicino in Rome and Schiphol in Amsterdam. By forming an alliance in this way, both airlines hope

before setting out on intercontinental journeys. Further co-ordination

between the airlines involving frequent flier programmes and cargo services - could also be undertaken next year and a full merger was not ruled out. The alliance, in which KLM was advised by

J. P. Morgan and ABN Amro Hoare Govett, is the latest sign of European airline con-solidation. It follows Swissair's pact with Sabena and Austrian Afrlines, and Lufthansa's association with SAS. But it will heighten concern in Paris that Air France is becoming isolated. Patrice Durand, vice-presi-



Domenico Cempella: mindful of Alitalia's privatisation

There had been speculation that Romano Prodi's dent, finance at Air France, France to underpin the Fran-

enter a single currency. But Domenico Cempella, government might opt for a Alitalie chief executive. "political" deal with Air argued such a move would undermine plans to privatise other suitor, could provide. the lucrative northern Ital- said the Alitalia decision co-Italian relationship in the the Italian airline next year.

Kleinwort chief urged to step down

in Frankfurt and George

A member of Dresdner to increase access to what | Bank's supervisory board oil is in place. They are also | yesterday called on Hansgeorg Hofmann, head of the pects in the area that might German group's investment banking operation, to resign over his admission that he

ing production vessel. Meanwhile, Saga said it had evaded tax. expected a negative cash Klaus Carlin, a banking flow next year because of a union member who represents employees on the nonsharp rise in exploration and development spending executive board, said Mr and a higher tax bill.

Benson in London. This would be "extremely questionable morally".

Mr Hofmann's tax problems have also raised questions about his position in As chairman of the DKB

investment banking operation, he would have to satisfy the Bank of England that he was a "fit and proper person" to hold this position. The Bank's rules stipulate: executive board, said Mr "It is essential that a person resigned as head of the remain head of DKB, but with direct access to the Hofmann should no longer with responsibility for the supervisory board over alle-bankers said his standing board.

business is of high integ-

Hofmann's resignation his personal tax affairs.
comes after Jürgen Sarrazin Mr Hofmann also left decided this month to step down early from the chair- originally said this was to manship of Dresdner Bank, enable him to concentrate on after a series of resignations over directors' personal tax bank from London. However, affairs. He was already due the bank admitted on Sunto leave in May to make way day that the real reason was for Bernhard Walter.

Wolfgang Röller has

which he denies - and Hans-Günther Adenauer has left Mr Cariin's call for Mr the management board over board last month. Dresdner

Mr Hofmann also left the building up the investment his tax confession. Dresdner has said he will

their publication in Wirt-

schaftswoche, e weekly business magazine. He also said: "Sometimes, I have the feeling I am in a madhouse. We urgently need to return to calm, otherwise irreparable damage will be done."

Mr Carlin's comments

were released in advance of

Dresduer also announced plans yesterday to appoint a new head of communications

Ericsson-Nokia These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously sold, this announcement appears as a matter of record only.

\$100,000,000

Parametric Re, Ltd.

\$80,000,000

Floating Rate Notes due November 19, 2007

\$20,000,000

Units Consisting of an Aggregate of \$10,000,000 Floating Rate Notes due November 19, 2007 and \$10,000,000 Floating Rate Defeasance Certificates due November 19, 2007



The proceeds of this offering have been used to support an industrial earthquake risk reinsurance policy in the amount of \$90,000,000 written in favor of Swiss Reinsurance Company in Zurich, Switzerland for the benefit of The Tokio Marine and Fire Insurance Co., Ltd.

> These securities have been sold in the United States in private offerings that included sales pursuant to Rule 144A under the Securities Act of 1933.

Goldman, Sachs & Co.

Swiss Re Capital Markets

December 18, 1997

mobile standard nears approval

By Greg McIvor in Stockholm

Shares in Ericsson and advocated a technology Nokia rose yesterday as the called TDMA/CDMA. Swedish and Finnish telecommunications groups appeared close to winning an international battle to deter-mine the technology for the next generation of mobile

telephones in Europe. In Helsinki, Nokla's most-traded K shares ended the day FM8 higher at FM389, while in Stockholm, Ericsson's B shares closed up SKril.50 at SKr289.50. Traders attributed the

rises in part to the informal endorsement on Tuesday of a joint Ericsson-Nokia proeventual standard to succeed GSM, the de facto world digital standard for mobile net-

gave preliminary backing to aystem called Wideband dard," Mr Smith said. Code Division Multiple Access (W-CDMA) as the pretechnology for third-generation mobile telephony.

US, Northern Telecom of media services.

Italtel of Italy. All have

Both camps have lobbied hard for their preferred sointions. ETSI will hold a final vote on January 28, but analysts said the result appeared to be a formality. Douglas Smith, technology

analyst at Salomon Smith Barney in London, said the Nordic duo would have a valuable head start in the development of next-genera-tion mobile telephony.

The companies are the world's second and third

largest suppliers of mobile handsets, behind Motorola and leading manufacturers of mobile network infra-"The companies which

Third generation cellular networks, expected to enter

strongly to Deutsche Tele-

would be about 4.5 per cent

The reductions meant

The cuts come as Deutsche

control the standards usu-ETSI, the European tele-coms standardisation body, advantage over companies that just follow the stan-

ferred European standard service in 2002, represent a step forward from existing digital voice-based systems. Analysts said this was a They will offer expanded setback for Motorola of the capabilities such as multi-

Telekom cuts long-distance rates

By Graham Bowley in Bonn

Deutsche Telekom yesterday unveiled aggressive price cuts for long-distance calls. in a challenge to its rivals ahead of the liberalisation of March - would give customthe German telecommunica-

tions market next month. The new tariff structure offers particularly steep price reductions in areas where it faces strongest com- kom," he said. petition from new rivals. However, it offers few that, on average, call prices discounts. savings on local calls, where

The company, Europe's largest telecoms group, also
Telekom, which was parcharge rivals for network
said it would cut prices next tially privatised just over a
connections. It is challenged in the ruling in court.

The tompany, also
Telekom, which was parcharge rivals for network
connections. It is challenged in the ruling in court. year on calls longer than 10 year ago, faces financially ing the ruling in court. minutes. It would also offer strong rivals which threaten

cheaper weekend calls and its hold over its home that the decision fevours reduce connection charges market. with its mobile phone net-

Ron Sommer, chief execu-Veba and RWE, the induswhich come into effect from np to 20 per cent on ers savings of DM2bn (\$1.1bn). "In the future comlong-distance calls. Mannesmann Arcor petitive market, we want to bind customers more

Mannesmann industrial to 45 per cent. group and Deutsche Bahn, the federal railway operator - has proposed similar Dentsche Telekom has

Deutsche Telekom remains lower next year, Mr Sommer been angered by an unex- its mobile phone services pectedly tough decision by would be reduced by as regulators on the price it can much as a quarter.

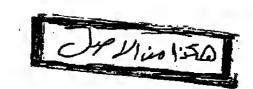
charge rivals for network "This is a clever tariff

new entrants and disregards O.tel.o. the telecommuni- costs borne by Telekom in cations venture between setting up its network.

Deutsche Telekom said tive, said the changes - trial conglomerates, has prices next year would be threatened to undercut it by reduced on calls to 78 countries, with the price of calls to North America - expected to be one of the most botlywhich is backed by the contested routes - cut by up

> Charges on calls longer than 10 minutes would offer savings of up to 30 per cent, while connections between Telekom's fixed network and

The company maintains Dusseldorf.



COMPANIES AND FINANCE: UK

AN NEWS DIGEST

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THURSDAY THE COMBINE IN Day

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Textiles group also warns profits will be down some £40m because of sterling and closure costs

Coats Viyella sets out demerger plans

By Andrew Davis

By Jonathan Ford

Casplan Securities, the

emerging markets invest-ment bank, has raised \$50m

to continue its expansion

despite the recent turmoil in

Asian markets.
The bank, which has

expanded beavily in Asia

this year, has now raised

\$240m in three tranches

since its foundation two

had no plans to raise further

capital in the near future.

The money came from both

existing and new investors.

Bank of Australia under-

stood to have maintained its

17 per ceot holding.

NEWS DIGEST

options worth £306,000.

executive's job.

disposals were likely.

years ago. Richard Greer, move into profit next year. managing director, said it He said that Caspian would

with the Commonwealth a push into mergers and

Mr Greer said that the to be a lot of huying of cheap group's shareholders had corporate assets in the

heen supportive. "The region," said Mr Greer.

Oster departs

from Cookson

Richard Oster, who stepped up to become chairman of

(\$4.78m) in compensation, £1.6m worth of shares and

Cookson in September, is is leaving suddenly with \$2.9m

The pay-off, which followed a clash with other directors

over strategy, is one of the largest awarded in Britain. It

includes a payment the 62-year-old Mr Oster had already

the diversified industrial products group for six years. He

Robert Malpas, Mr Oster's predecessor as chairman, has

agreed to return to the £250,000 a year job until another chairman can be found. He said that plans to ensure a

smooth succession had "turned pear-shaped." He added

that Mr Oster's departure came after "a growing realisation between Richard and the board that the new

management was having to take strategic decisions which Richard would accept intellectually, but would find quite

hard to stomach." These included cutting back some of its

Pearson cautious over sterling

Andrew Edgecliffe-Johnson

US head offices, he said, adding that further business

Shares in Pearson, the media company that owns the Financial Times, fell 5p to 824p yesterday after it issued a

cautious end-of-year trading statement that emphasised

Analysts said the statement contained no surprises

except for a faster-than-expected recovery at Mindscape, the US software subsidiary that has been restructured after losing £46.1m in 1996 and £15.1m in the first half of

1997. They expect Mindscape to make a profit of £10m in the second half of the year to December 31, allowing it to

The group took another step in the gradual reshaping of its management under Marjorie Scardino, chief executive, with the announcement that David Veit, president of

Pearson in the US, would retire next May at the age of 60.

strength and said growth in some of its principal markets

was slowing. However, it continued to seek double-digit

earnings growth, the target set earlier this year by Mrs

Penguin had integrated the Putnam Berkley group and cost savings there would help offset difficulties in the US

Wm Cook may bid for Triplex

William Cook has said it would consider bidding for its

its offer with an £80m management buy-out.

Midlands engineer which is listed in the US.

on whether it is taking part in talks.

pre-tax profits.

castings rival Triplex Lloyd, if Triplex's current hid talks

A Cook hid for Triplex would be a reversal of last year's hitter takeover battle which Triplex launched to win control of Cook, Triplex lost the bid when Cook trumped

Triplex confirmed last week it was in bid talks with an

unnamed company, and was discussing an offer of 280p a share. The bidder is thought to be Doncasters, the

The future of Triplex Lloyd is expected to be sealed

within a week, although Doncasters refuses to comment

Eurotherm on acquisition trail

Eurotherm has between £70m and £100m (\$165m) to spend

Hultman, chief executive, said yesterday as the industrial

Mr Hultman said the strength of sterling was to blame

for the fall from £37.7m to £30.3m in the year to October

The drives division, which has traditionally reported

profits at £12.2m (£12.4m), despite the strength of sterling,

15-20 per cent growth, managed to maintain operating

31. The strong pound affected the translation of profits

and had a £6.9m impact on transactions.

thanks to a turnround in the US market.

controls maker reported a 20 per cent drop in full-year

on acquisitions in the US and south-east Asia, Claes

Richard Wolffe

Andrew Edgecliffe-Johnson

book market. The impact of improper accounting at

Penguin in the US would be within the £100m already

The statement emphasised the effects of sterling's

the effect on revenues of the strength of sterling. .

break even for the year before a £5m restructuring

been promised for the loss of earnings involved in . . . stepping up to a non-executive post. Mr Oster, an American, was managing director and chief executive of

The departure comes just three months after Don Carcieri, joint managing director, left with compensation

of about £2m after being passed over for the chief

received £1.2m in 1996 and £1.7m in 1997.

acquisitions.

Coats Viyella yesterday set out plans to demerge, alongside a warning of an unexpectedly sharp fall in profits this year and up to £75m (\$123.8m) of restructuring

Its statement increased worries over a possible dividend cut. Kirk Stephenson, finance director, said maintaining the dividend would

down on 1996's £174.3m. About £20m of the decline was because of the strength

of sterling. The company is providing up to £15m against the sale or closure of the Counterpart contract clothing business.

where 2,000 jobs are at risk. lt plans to split into Coats and Viyella hy mid-1998. Coats will comprise Dynacast precision engineering leave it "substantially and the thread and Indian uncovered". Operating prof-

by Christopher Heath, the

former chairman of Baring

Securities, but Mr Greer said

he expected the hank to

use the money to expand its

presence in eastern Europe.

The bank also plans to add

more staff in Asia as part of

"This is the area to expand

into because there is going

Viyella will take in cloth- the moment, but the aim trading performance. But it rated when deciding the ing and home textiles, including the Jaeger and Vivella retail chains and contract clothing.

Michael Ost, chief execu- als. tive, said the demerger was only "a first step"; the company hoped to he able to split threads from precision the capital gains tax position which a authorities.

would remain together for wand" to lift the company's nesses after they were sepa-

Hill Semuel (IK _____ L&G Recovery _____ Marray Smaller ____

would be to improve their performance over the next agement teams to focus couple of years, widening options for possible dispos-

Sir David Alliance, chairman, will chair Viyella, which is seeking a chief executive. Mr Ost is to be engineering next year, once chief executiva of Coats, for which a chairman is being

The Viyella businesses demerger was not a magic prospects for the two busi-

would enable discrete man- level of dividend for 1997. It more effectively on each husiness, and would help investors value the busi-

However, there was no indication of how the company's debt, which atood at £390m at the half year. would be divided.

Mr Stephenson said the Mr Ost said he recognised company would look at the was 9.725p last year. As well as the previously

announced ongoing restructuring costs of about £30m. the company planned one-off charges totalling £45m. These were to cover problems at Berghaus's Russian clothing operations and the exit from the Counterpart contract clothing business. Calprina commission finishing and the Australasian crafts busines

LEX COMMENT

Coats Viyella

It is a pity that performance has deteriorated in Coats Viyella so many parts of Coats Viyella that it now seems too difficult for one plc board to manage. If things had not got so had, a neater order of events might have been to spin off precision engineering and reap a recovery from the rest. Now the problem seems so big that it must be halved. and eventually quartered. Precision engineering will indeed be spun off by the new Coats group, and the Viyella half will one day

consider splitting retailing

Share price relative to the FTSE Textiles and Apparel index

brands from manufacturing. Michael Ost, chief executive, must ensure that all thus wheeling and dealing does not distract him from the urgent task of improving underlying performance. However, a demerger is usually a good catalyst for just that. Mr Ost will certainly be more at bome running the two industrial businesses, and there is an opportunity to revitalise the Viyella management. Finding a strong chief executive for that business is obviously cru-

Assuming that the pair will be better oranaged on this semi-simplified basis, is the group massively undervalued at its new low of 95p? Its £1bn enterprise value is, after all, well below half annual sales.

A conservative valuation of 120p a share can easily be raised to 150p by assuming progress on restoring clothing margins, applying market multiples to engineering and retail, and adding a net asset valuation for threads. But with so much to do amid unhelpful market conditions. investors would have in take a lot on trust.

Caspian raises 4.06 (2.52) 7.4
0.3434 (0.521) 0.45†
0.051 (0.1841) 0.1
16.2 (14) 14.3
24.4 (8.114) 92.051
4.18 (4.38) 4.03
30.3 (37.7) 22.7
10.44 (9.11) 1.941
0.18541 (0.4031) 0.21;
0.1054 (0.4031) 0.25;
1.57 (5.0541) 0.25;
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2.744 (5.854) 2.08
4.14 (8.19) 7.1 \$80m to expand 7.4 (4.07)
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7.24 (0.631)
7.25 (0.631)
7.21 (0.631)
7.21 (0.631) money raising was in the original business plan and most investors seemed to understand our argument that it is better to expand when times are tough than in a roaring bull market." Caspian has yet to make a profit since it was founded

> Yr to Oct 31 114.3 (103) 0.178 (0.297)
> Yr to Oct 31 153.2 (137.5) 1 (1.08)
> 6 miths to Nov 30 453.2 (498) 2.52 (208) 0.63 (1.05) 2.72 (2.84) 4.5 (3.7)

> > All of the securities having been sold, this announcement appears as a matter of record only.



U.S. \$4,225,017,562

China Telecom (Hong Kong) Limited

中國電信(香港)有限公司

Global Offering of 2,770,788,000 Ordinary Shares representing 138,539,400 American Depositary Shares

Global Coordinators and Bookrunners

Goldman Sachs (Asia) L.L.C.

China International Capital Corporation

International Offering 19,817,981 American Depositary Shares This portion of the offering was offered outside of Hong Kong. Asia and the United States by the undersigned.

China International Capital Corporation

Deutsche Morgan Grenfell

SBC Warburg Dillon Read

BNP PrimeEast Securities Limited Schroders **ING Barings**

SocGen-Crosby Securities (HK) Limited

United States Offering 14,854,301 American Depositary Shares This portion of the ottering was offered in the United States by the undersigned.

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.

Credit Suisse First Boston

ABN AMRO Rothschild

Bank of China International

Dresdner Kleinwort Benson

Paribas

Goldman Sachs International

China International Capital Corporation

Donaldson, Lufkin & Jenrette

RBC Dominion Securities Corporation Salomon Brothers Inc.

Morgan Stanley Dean Witter Merrill Lynch & Co.

J.P. Morgan Securities Ltd.

UBS Limited

Cazenove & Co.

Prudential Securities Incorporated Smith Barney Inc.

HSBC Investment Bank Asia Limited

Credit Lyonnais Securities Asia

Asia Financial (Securities)

Hong Kong and Asia Offering 96,666,218 American Depositary Shares This portion of the offering was offered to institutional and corporate investors in Hono Kono. China International Capital Corporation (H.K.) Ltd.

Goldman Sachs (Asia) L.L.C. China Development Finance Co. (H.K.) Ltd.

China Everbright Securities (HK) Limited

Bear Steams Asia Limited J.P. Morgan Securities Ltd. Indosuez W.L Carr Securities China Construction Bank **CEF Capital Limited**

Guangdong Securities Limited The Nikko Securities Co. (Asia) Limited Standard Chartered Asia Limited

Jardine Fleming Daiwa Securities (H.K.) Limited Kingsway SW Securities Limited

Oriental Patron Asia Limited Tai Fook Securities Company Limited

Hong Kong Public Offering

Lippo Securities Ltd Peregrine Capital Limited **U.B. Securities Limited**

Goldman Sachs (Asia) L.L.C.

HSBC Investment Bank Asia Limited

The Development Bank of Singapore Ltd

144,018,000 Ordinary Shares This portion of the offering was offered to retail investors in Hong Kong.

China International Capital Corporation (H.K.) Ltd.

China Development Finance Co. (H.K.) Ltd.

Bear Stearns Asia Limited J.P. Morgan Securities Asia Ltd.

Indosuez W.L Carr Securities China Construction Bank **CEF Capital Limited**

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Daiwa Securities (H.K.) Limited Kingsway SW Securities Limited

The Development Bank of Singapore Ltd

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Asia Financial (Securities)

Credit Lyonnais Securities Asia

Financial Advisors to the Company

J.P. Morgan Securities Asia Ltd.

Bear Steams Asia Limited

December 1997

Japan package sends prices down

GOVERNMENT BONDS

and John Authers in New York

Government bond markets continued to drift lower in light trading, as investors benign against some of the responded to the announcement of Japan's surprisingly aggressive fiscal stimulus

Japan's decision to cut income taxes represented a policy U-turn, and sparked a significant rally in Jepanese equities at the expense of boods, with the JGB future weakening further in London trading.

Colin Hart, bead of bond investment at Gartmore Investment Management, said: "All the good news for bond markets is in the price. "Growth in the OECD

countries, bar Japan. remains rohust. And the actions of the Japanese government could lead to an economic recovery that is far sharper than people expect.

UK GILTS were particu- against hopes that the next

counted a continuation of definitely be downwards. weeks. The retail numbers for November therefore came as a shock, a fall of 0.4 points to 114. per cent looking remarkably

more dramatic forecasts. The March future plunged on the release of the figures, falling it at their low, but recovering to end the day & lower at 121 ... Volumes remained thin, with 48,000 cootracts traded compared with 51,000 on Tuesday.

at Merrill Lynch, said: "We think people have jumped on the slow-down bandwagon too quickly. Next year, domestic economic conditions could deteriorete, although Emu may still underpin the gilts market." He pointed out that even if December'a retail sales numbers were no greater than November's, retail sales

growth in the fourth quarter

would amount to 1.5 per

cent, or an annualised 6 per

cent for the UK. This argues

weaker against bunds, with the spread widening 5 basis

downwards ahead of the in line with Germany. Bundesbank meeting today, basis points, but 18 above its the 6 per cent barrier. low for the day.

The yield curve steepened slightly, with weakness concentrated in the medium and said investors had held their fire ahead of the Bundesbank meeting but analysts are clear in their predictions that there will be no move

Mark Cliffa, chief international economist at HSBC Markets, said: "We're still left in a fundamentally attractive position. There is no real sign of a pick-up in inflation in Europe [and] wage pressures are still oeg-

ITALIAN BTPs drifted down in line with bunds,

7-tranche deal b) Priced later: b1) 3-mith Libor +20-22bp a: 2-3, then 151/96 - 2 x 12-mth Libor. s) Short 1st coupon.

bunds ending the day I basis yield 5.991 per cent. The The response to the sales point parrower at 33. The hed emerged in recent numbers left the market March contract in London settled 0.16 lower at 115.37. The cash markets for FRENCH OATs and SPAN-GERMAN BUNDS edged ISH BONOs moved exactly

> but closed well off their in early New York trading. lows. The March contract with the yield on the benchsettled at 104.39, down 14 mark 30-year long testing

> > Tha Japanese govern-

ment'a stabilisation plan was mainly responsible, with the market's instant assessment being that it would significantly ease the pressure on US bond market has benefited from a perceived "flight to quality" during the Asian crisis, and the news led to worries that there would now be less foreign demand for treasury bonds.

This pushed the yield through 6 per cent in early trading. Later assessments suggested that the nackage still left many economic prices strengthened.

By midday, the 30-year

larly vulnerable, having dis-move in interest rates will with the spread against bond had shed at 101%, to yield curve steepened slightly, with the two-year bond shedding 1 at 99%, yielding 5.692 per cent.

> Both profit-taking as fund managers adjust their portfolios in the last few trading US TREASURY prices fell days of the year and the weakness of the dollar also helped to push prices down. However, there was little economic data, and volume at mid-session appeared to be light.

> > Overall, it was not the size of the Japanese reflation package that spooked bond markets, but the fact that the government had actually come up with a positive sur-

Cliffe argued: "Y2,000bn of income tax cuts is not a huge fiscal stimulus, but there is the hint of more to come.

"One way or another, this scooomy should recover over the next six months. and that could spark the long-awaited sell-off in JGBs. But that could even encour ege Jepanese eppetite for western bonds."

Khazanah New family of cancels equity indices to be launched second tranche

in Singapore

Khazanah Nasional, the investment arm of the Malaysian government, abruptly cancelled its second lasue of benchmark bonds yesterday.

The decision is a blow to the country's ambition to build a vibrant domestic bond market.

The first Khazanah bond tranche, issued in September, was meant as an initial step towards creating a yield curve of varying maturities to serve as benchmarks for the fledgling corporate bond market.

Khazanah gave no explanation for the cancellation of what was scheduled to be an issue of not less than M\$500m (US\$129m). It was also unclear

whether the scrapping of this issue meant that the wbole programme of bond had been shelved or would be resumed later. Observers said the scrap-

ping of the issue was a symptom of Malaysia's financial crisis. One of the government's main concerns is that liquidity is draining fact from the financial system. Syphoning away more cash to satisfy large bond issues could tap funds from the troubled stock market,

analysts said. The proceeds from the Khazanah bond issnes would have been used to prop up the share prices of certain companies.

However, Anwar Ibrahim, the deputy prime minister and finance minister. announced as part of a sharp austerity package this month that no companies would be bailed out by the

is expected to include around 700 stocks and the euro index 350.

There will be 19 sector The three leading stock indices. The blue-chip indiexchanges in continental ces will be calculated on a Europe have linked with Europe-wide and euro-only Dow Jones, the US business basis, each containing 50 information group, to launch stocks. The indices, to be e new family of equity indilaunched in February, have ces as a benchmark for yet to be named. investors ahead of the euro's

Reto Francioni, a director of Deutsche Börse, said they were also designed to serve

ted to be caused by the onset of European monetary mance yardstick after its introduction, he said. The German, French and Dow Jones would calculate the indices, and the pan-European benchmark index

Swiss bourses will join Dow Jones to create two broad benchmark indices, as well as sector indices which will take account of investors' likely shift from a country to Index. Deutsche Börse, SBF. indnatry-oriented

approach. Two blue-chip indices will be included. This represents the most comprehensive effort yet to provide European-wide indices for the post-Emu trading environment The index family will com-

pete with the Eurotop indices launched by the Amsterdam stock and options exchange and FTSE International, owned by the Financial Times and the London Stock Exchange.

By Andrew Fisher

planned introduction in 1999.

western European market

and the narrower euro area,

taking eccount of changes in

investment strategies expec-

The indices will cover the

in Frankfurt

The benchmark indices to be produced by the three Dow Jones will cover European Union countries plus pean region," he added. Switzerland and the euro members, currently expected to be 10.

They are intended to cover 80 per cent of each country's

INTERNATIONAL BONDS

as the underlying basis for new derivatives products. The index family would help prepare investors for tha euro and act as a perfor-

would be identical with its Dow Jones Europe Stock

Bourse de Paris and Swiss Exchange first said in July they would launch a new family of European indices. Peter Reitz, a product development official at the German bourse, said Dow Jones had been chosen because of its experience in compiling indices in 31 countries.

The oew indices would be compared with those on other continents, rather than with national indices such as the Dax in Germaoy or France's CAC-40, "I am very confideot that this index continental exchanges and family will be accepted as the benchmark for the Euro-

Jörg Franke, another Deutsche Börse director, said options and futures products would probably be developed on the basis of equity market and each sec- blue chip indices and on tor. The Europe-wide index some of the branch indices.

Disti Cross Rame 5

BUNEY RATES

IDB brings L150bn issue

INTERNATIONAL BONDS By Samer Iskandar

Primary activity in the dollar sector yesterday was limited to a handful of deals targeted at specialised

ACME METALS launched \$200m of high-yield boods with a spread of 523 basis points over 10-year Trea-suries, with Morgan Stanley gap with yields on French Dean Witter as lead and German bonds.

Development Bank

WORLD BOND PRICES

RENCHMARK GOVERNMENT BONDS

4.000 99.3500 6.750 109.6100 3.500 101.3400

launched the session's only deal in a European currency. raising L150hn through a

fixed-floating issue, The bonds pay a coupon of 12.15 per cent the first year, which falls to 7 per cent in the following two years. This reflects expectations that Italian interest rates will fall sharply after European economic and monetary union

In the remaining period IDB - the Inter-American until the bonds mature in - 2010, the structure becomes

4,43 -0.01 -0.10 +0.08 +0.60 5.39 +0.02 +0.06 -0.26 -0.54

4.57 +0.01 -0.16 -0.20 -0.48 5.70 +0.01 -0.15 -0.40 -0.98

4.34 +0.02 -0.01 -0.01 +0.92 5.05 +0.03 -0.11 -0.24 -0.21 5.32 +0.03 -0.08 +0.27 -0.50 5.85 -0.03 -0.08 -0.32 +0.98

Red Bid Bid Day chg Wi, chg Month Year Date Coupon Price Yield yield yield chg yid chg yid

4.000 98.6800 4.19 +0.04 +0.05 -7.500 113.2200 5.15 +0.02 -0.03 -0.17 6.000 104.9900 5.31 +0.02 -0.08 -0.27 6.600 108.5800 5.88 +0.02 -0.07 +0.32

0.400 112 7000 0.67 +0.07 +0.16 +0.33 4.900 116.7700 1.32 +0.07 +0.06 +0.09 3.000 108.9300 1.76 +0.07 +0.05 +0.01 3.000 108.5300 2.58 +0.06 +0.04 +0.02

7.500 105.5600 4.37 +0.01 +0.03 +0.04 +0.95 5.750 103.3200 5.28 +0.02 -0.09 +0.28 -0.52 6 500 07.1816 7.96 +0.36 +0.57 +0.96 +0.91 8 000 103.7303 7.41 +0.29 +0.41 +0.67 +0.00

8500 104 3593 4 80 +0.01 +0.62 -0.21 -1.25 6 725 106 7375 5.66 +0.01 -0.11 -0.29 -1.33

5175 99,0433 571 +0.04 -0.04 -0.02 -0.14 7 615 111 7306 519 - -0.11 -0.08 -0.38 6 125 102 4220 5.79 +0.02 +0.11 -0.05 -0.52 6.35 104 6840 603 +0.02 -0.11 -0.03 -0.63

8.41 7.28 11.39

10.47 11.12 9.87

103.1184 7.72 -0.08 -0.23 102.4505 7.97 -0.04 -0.16 100.8237 8.85 -0.25 -0.50

5.500 88 72.0000 8.73 +0.02 -0.81 4.500 88- 76.1300 10.29 -0.04 +1.99 6.250 88 82.0000 8.00 - -0.62 6.750 8+ 85.3900 8.18 -0.02 -0.41

93,4000 91,4000 115,2500

7 750 888+ 104.4417 7,03 8 750 88+ 89.0875 10 05 7,750 A- 91.2955 9,15

9 125 BB-9375 BB+ 10 000 B

M AFRICAMIDIDLE EAST

-005 -021 +023 -0.18 -0.24 -1.39

-0.74 -1.50 -0.75

+0.03 -0.46 -1.34

-0.08 -0.06 -0.07

-0.08 -0.05 -0.04

+2.65 +1.51 +5.60

10 YEAR BENCHMARK SPREADS

7,000 103,0526 5.57 -0.13 -0.27 -0.55 -0.65 10,000 127,1827 6.21 +0.13 -0.12 +0.22 -1.22

4.000 99.1500 4.43 +0.01 +0.14 +0.09 +1.13 6.250 105,7800 5.44 -0.02 -0.08 -0.28 -0.54 4.750 89.2600 5.20 -0.04 +0.54 +1.04 7.250 110.8500 5.71 +0.01 -0.02 -0.26

_	Amount	Coupen	Price	Maturity	Foot	Spread	Book-runner	
Borrower	m.	76			*	ap		•
E US DOLLARS			/:			N	1 " TO 12 WY	1.7
Money Store MT, 97-D(a)★	725	-	-		•	-	Morgen Stanley D	W
United Airlines(b)**	445.7	(b1)	(b1) (b2) 99.251	4.8 yrs		-	Morgan Stanley D	
United Airlines(b)++	106.6	(b2)	(b2)	4.7 yrs	-	~	Morgan Stanley D	
Acma Metals(s)	200	10%	99.251	Dec 2007	2.75	+523(6%%-07	Morgan Stenley D	···
M ITALIAN LIFE						A		
Inter-American Dev Bankt	150tm	(0)	100,908	Jan 2010	undied		BNLAP Morgan/S	ernes l

a so-called "reverse floater", ber, writes Stephen Fidler. as the coupon becomes inversely related to money market rates.

• Bunge International, the Argentine food company, yesterday said it would buy back for cash up to \$200m of international bonds issued by Ceval Alimentos, the Brazilian food processing company it acquired in Novem-

er, writes Stephen Fidler. emerging markets syndicate Bunge said 89 per cent of at Chase Manhattan in New holders of the notes had agreed to the proposed

The bonds will be bought back at e yield of 4.10 per- and acquisitions activity in centage points over that of some emerging markets Treasury ootes maturing in 2001, when the boods are Cindy Powell, head of

the combination of high interest rates and mergers could mean other similar offers may follow. "I think it's the kind of thing we'll see more of," she said.

York, which handled the ten-

der offer with Citicorp, said

US CORPORATE BONDS

BON	D FUTU	RES AI	ad ob	TIONS			
Franc					-		
M NOT	IONAL FRE	NCH BOND	PUTURE	S (MATIE)	FFr500.00	20	
M NOT	Open	Sett price	_	S (MATIF) High	FFr500,00	Est. vol.	Ope
Mar			_				Ope 142
	Ореп	Sett price 100.96	Change -0.18	High	Low	Est. vol.	
Mac	Open 100,96	Sett price 100.96	Change -0.18	High 101,08	Low 100,84	Est. vol. 10,397	142

M NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100% Open Sett price Change High Low Est. vol Open int. 104.96 104.99 -0.14 104.45 104.21 113609 249302 103.80 103.61 -0.14 103.80 103.76 27 1070 M BUND FUTURES OFTIONS (LIFFE) DM250,000 points of 100%

0.42 0.97 0.63 0.89 0.92 1.17 1.24 0.08 1.00 0.27 0.79 0.64 Open Sett price Change High Low Est, vol Open Int.

 Open
 Sett price
 Change
 High
 Low
 Est. vol
 Open int.

 103.86
 103.91
 -0.07
 103.94
 103.84
 5,733
 18,032

 103.33
 -0.07

MOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFET Lea 200m 100ths of 100%
 Open
 Sett price
 Change
 High
 Low
 Est. vol. Open mt.

 115.35
 115.37
 -0.15
 115.44
 115.24
 26836
 116927

 114.81
 -0.14
 0
 53
 M ITALIAN GOVT. BOND (STP) FUTURES OPTIONS (LIFFE) Les200m 100ths of 100%

Open Sett price Change High Low Est. vol. Open int.

- 106.29 - - 23.645 8.443 105.64 105.65 -0.15 105.71 105.44 44.488 91.779 Open Sett price Change High Low Est. vol Open int. Dec 120-15 120-17 -0-11 120-17 120-07 1139
Mar 121-09 121-03 -0-10 121-09 120-24 45382
E LONG GELT FUTURES OPTIONS (LIFFE) 150,000 64946 of 100% Feb Mar 1-01 1-21 0-37 0-55 0-20 0-35 Jun Jan 0-25 0-06 0-01 121 122 123 0 0-18 0 1-00 0 1-59

 Open
 Latest
 Change
 High
 Low
 Est, vol. Open int.

 120-07
 119-27
 -0-14
 120-07
 119-18
 9,777
 76,857

 120-04
 119-23
 -0-13
 120-05
 119-12
 274,680
 -650,921

 119-25
 119-11
 -0-15
 119-26
 119-10
 1,118
 27,683

E NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

M UTILITIES 116,9267 -0.01 -0.10 MINDUSTRIALS 107.3957 103.4115 129.1637 M AGENCIES HIGH YIELD 02/01 9.68 B 12/01 9.13 BB-06/04 10.75 B-Stone Cont AK Sti Pacaka 97,5000 0.00

Dec 17	Pled dete	Caupon	SAP	Bld	Bid	Day's chge yid	Mth's chipe yld	Spread
E BIRO DM		V. 3		· / .				ON Q
56	D2/07	5.750	AAA	102,7900	5,35	-0.01	-0.31	40.0
Spain	01/07	5.750	AA	101,9200	5.47	+0.01	-0.28	-0.10
Philip Morts	03/04	5,375	A	99,4200	5.48	+0.01	-0.24	+0.4
Finland FRN .	09/02	3,820	AA	100.7380	4.41	+0.02	+0.21	-0.4
I HURO FFR				3				: ::::::::::::::::::::::::::::::::::::
Austria	01/04	5.500	AAA	102,1300	5.08	+0.03	-0.24	+0.0
Abbay Nat	02/04	6.000	AA	104,1000	5.20	+0.04	0.19	+0.1
Cred Foncier	02/04	8.126	A	118.5000	5.50	+0.03	-0.22	
3CIF FRN	12/01	3.750	AA-	99.8518	4.56	-0.01	+0.41	-0.17
				55.0010		-0.01		
E BURO LETA						1. N		1.7
SIB .	02/07	7.000		109.7600	5.60	-0.01	-0.40	
Abbey Nat	02/02	6.800	AA	105.1000	5.39	-	-0.30	
Walt Digreey	06/00	8.625		107.3500	5.38	+0.12	+0.29	
EB FRM	03/01	5.825	AAA	100.2571	4.87	120-	-023	-0.2
E SURGE			4.7			· y - *		
28	12/07	7.625	AAA	107:2239	6.61	+0.04	-0.40	+0.25
Oreedner Bk	12/07	7.750		104.6643	7.08	+0.04	-0.34	-0.71
British Gas	03/00	7.625		100.4418	7.38	+0.03	-0.15	
Abbey Nat FRN	02/02	7.830	AA	100.0245	6.53	-0.04	-0.30	-0.0
E EURO \$		٠,			٠			- 0.
28	04/07	7.250		107.7385	6.13	+0.02	-0.20	+0.3
ABN Ameo	06/07	7.125		104.8738	6.50	+0.02	-0.13	+0.7
Quebec	01/07	7.000		103.5264	8.40	-0.01	-0.14	+0.6
Citicorp FRN	02/04	5.838	A+	99.4212	8.05	-0.01	-0.13	
			. 177	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	. ~~	_	-0.19	10.2
E EURO CS					٠.	100		
Bayer L-Bk	08/04	9.500		118.2311	6.07	+0.02	+0.44	
Torordo	05/04	9.500		113.0122	5.9 9	+0.09	+0.41	+0.12
Bell Canada	07/99	10.625		107.0872	5.71	-0.11	+0.87	+0.13
Deutsche & FRN	08/03	5,875	. ***	101.0022	5.63	+0,04	+0.28	
World Bank	03/02	5,250	***	117.0700	1.12	+0.05	+0.12	-0.04
Spain	03/02	5.750		118.7500	1.20	+0.09	+0.11	+0.0
Cred Fonder	08/05	4.750		113,7024	1.65	+0.07	+0.15	+0.48
YEARY FRIN	07/99	0.694	AA	100.3386	0.45	+0.09	+0.31	-0.10

UK BONDS															
FTSE Actua	ries G	ovt S	ecurit	ies								-	u	K Inc	lice
Price Indices UK Gifts	Wed Dec 17	Day's change %	Tue Dec 16	Accrued Interest	xd adj. ytd		- Low Dec 17	Coupon Dec 18	yield Yr. ago	Meditor Dec 17	Dec 16	yield Yr. ago	- High	*****	· salaslad
1 Up to 5 years (19)	119,68	-0.03	119.72	2.03	10,39		6.47	6.45	7.28	6.57	6,54	7.33	6.61	6.58	7.38
2 5-15 years (21)	158.49	-0.21	158.82	1.96	11,88	15 yrs	6.32	6.28	7.76	8,33	6.29	7.75	6.42	6.40	7.69
3 Quer 15 years (4)	191.05	-0.36	181.74	1.40	14.12	20 yrs	6.32	6.28	7.82	e.32	6.28	7.79	5.42	6.40	7.70
4 Irretioernobles (4)	234.28	-0.32	235.04	1.87	14.48	fred.†	8,42	e 40	7.85						
5 All stocks (48)	151.23	-0.18	151.50	1.96	11.88										
								eoiteila			Infi	ation 1	0%		
Index-British							Dec .	17 Dec 1	18 Yr. ag	0	Dec 17	Dec 1	8 Yr. ac	10	
6 Up to 5 years (2)	212.90	-0.08	212.78	1.30	6.09	Up to 5 yrs	s 2.8	9 2.9	5 3.17	, 	2.21	2.17	2.45		
7 Over 5 years (10)	217.90	-0.41	21679	1.67	5.78	Over 5 yrs	3.0	2.9	3.56		2.76	2.74			
8 All stocks (12)	216.26	-0.38	217,08	1.63	5.76								-	•	

Dec 17 Dec 16 Dec 15 Dec 12 Dec 11 Yr ago High" Low

Govt. Secs. (USQ 101.39 101.57 101.81 101.74 101.72 93.81 101.83 93.31 Fixed interest 133.81 134.23 134.46 134.41 134.39 118.10 133.54 115.32 OFTSE international Ltd 1987. All rights reserved. * for 1997. Government Securities high trice complision. 127.40 (09/01/39), low 49.18 (03/01/79). Fixed Interest high since complision. 133.87 (21/01/94), low 50.53 (03/01/75). Base 100: Covernment Securities 15/10/25 and Fixed Interest 1928. SE activity inclines relaxed 1974.

Notes	Ŕ	Red	Price E -	-œ-	. 52 v High		Mates	int.	Red	Price £	+8-	_ 52 T	week_	
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MAL BONDS

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The Bank of Jepan sold dollars in the market for the first time in more than five years yesterday, sending the The fresh parties again to be a fair and the fair again again to be a fair again aga US currency plummeting against the yen. Market by the state of the stat Traders said the central bank had sold more than \$1bn, and had made its intererf eigeilt fiel. vention known. Eisuke Sakakibara, Jepan's vice finance seed of the suggest a Nation to the control of minister for international affairs, said: "We have taken decisive measures to cope with an excessive deprecia-

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on the currency market." The dollar sales followed a one-off tax cut worth Y2,000bn (\$78bn) revealed earlier by Ryutaro Hashimoto, Jepanese prime minister. Japan also announced Y2,000bn in edditional or accelerated public spending. and plans a Y10,000bn package to support tha troubled

POUND SPOT FORWARD AGAINST THE POUN

MARKETS REPORT

worldwide recession from Japan," Mr Hashimoto said.

The dollar initially fell nearly Y6 to Y125.70. Nick Parsons, currency strategist at Paribas Capital Markets in London, said: "Volumes late Asian and early European trading. The dollar was being thrown around in boxing match." Investors accelerated the dollar's fall tion of the yen. There will be by hedging yen put options.

no change in Japan's stance However, the US currency recovered as the day went on and no evidence appeared that other central banks had intervened for the yen. Rob-

> 1.6505 1.6482 1.6435 1.6244 -- Prev. close --

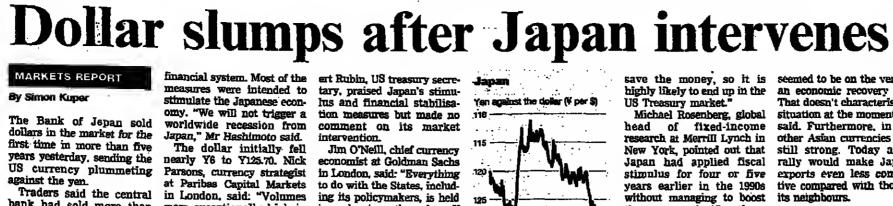
financial system. Most of the ert Rubin, US treasury secremeasures were intended to tary, praised Japan's stimustimulate the Japanese econ- hus and financial stabilisaomy. "We will not trigger a tion measures but made no 116comment on its market intervention.

Jim O'Neill, chief currency economist at Goldman Sachs in London, said: "Everything to do with the States, including its policymakers, is held were exceptionally high in in such esteem these days. If Mr Rubin were to come out and bless the intervention, or if the US were to interlumps of \$100m at a time. It wene itself, it would have was a bit like a heavyweight much more impact." Traders wanted to know that Japan had not been acting alone, he said.

The yen closed in London Y8.5 higher against the dollar at Y127.3. It jumped Y1.47 egainst the D-Mark to Y71-85. The dollar dropped 1.3 přennigs to DM1.772.

■ Will the yen rise further? Few in the market believe so, even though yesterday's tax cuts and intervention surprised most of them.

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Currency strategists say the tax cuts are minor, given that Japan raised taxes earlier this year by about Y7.500bn. Philippa Malmgren, the strategist at Bank-ers Trust in London who warned last week that inter-

Mpr. . 1997

vention was imminent, said:
"Are consumers going to go out and buy washing machines? I don't think so. They are highly likely to

save the money, so it is seemed to be on the verge of highly likely to end up in the an economic recovery then. US Treasury market."

New York, pointed out that Japan had applied fiscal stimulus for four or five years earlier in the 1990s without managing to boost its neighbours. the economy significantly.

reserves total ebout \$228bn but few strategists expect many more dollar sales. that the outlook for Japan had changed radically since May, when warnings of intervention sent the dollar

plunging by Y17. "Japan

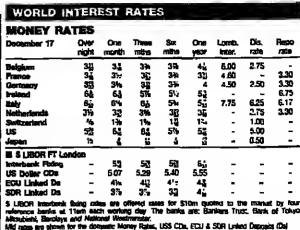
That doesn't characterise the Michael Rosenberg, global situation at the moment." he head of fixed-income said Furthermore in May research at Merrill Lynch in other Asian currencies were still strong. Today a yen rally would make Japan's exports even less competitive compared with those of

Japan could intervene So why did Japan interagain - its foreign exchange vene, if it had little chance of boosting the yen durably? Strategists say the point was to remind the market that Mr Parsons pointed out the yen could rise as well as fell, thus preventing an uncontrollable depreciation. Japan's verbal threats of intervention last week were too weak to achieve that. Yesterday's intervention, Mr O'Neill said, was "enough to make it more of a symmetric market." The yen would

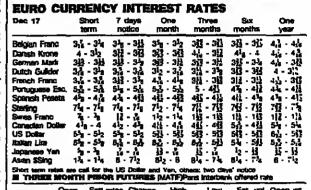
track the Nikkei stock index for the next few days, he added. Ms Malmgren said: "They are providing us with

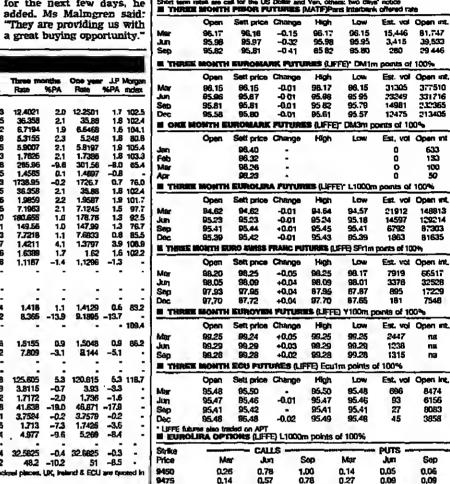
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CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES** 100 18.47 16.23 4.848 1.876 4755 5.463 18.79 496.5 410.2 21.18 3.828 1.863 2.736 54.13 10 8.786 2.624 1.015 2574 2.857 10.71 288.2 222.1 11.47 2.127 0.900 2.106 1.481 61.61 11.38 10 2.887 1.156 2230 3.388 12.19 305.3 252.8 13.05 2.421 1.024 2.397 1.686 20.63 3.811 3.348 1 0.387 980.8 1.127 4.083 102.2 84.63 4.370 0.810 0.343 0.802 0.584 0.387 1 0.039 0.348 0.379 0.457 0.885 0.477 1.128 0.486 0.539 0.764 980.8 2535 100 870.4 2403 959.7 1159 2245 1210 2861 1222 1738 1365 1938 102.2 64.63 264.2 218.7 10.42 8.627 90.89 75.09 250.3 207.3 100 62.80 120.8 100 233.9 193.7 126.1 104.4 296.1 246.6 127.4 105.5 181.1 199.9 142.3 117.8 201.8 167.2 64.63 218.7 8.627 75.09 207.3 62.80 100 193.7 104.4 246.8 105.5 149.9 117.8 0.343 0.886 0.035 0.904 0.840 0.396 0.405 0.423 1 0.427 0.608 0.477 0.677 0.802 2.074 0.082 0.712 1.966 0.785 0.948 1.836 0.990 2.340 1 1.422 1.117 10.55 0,416 3.623 10 3.894 4.624 9.343 5.037 11.91 5.088 7.234 5.682 6.064 2.095 0.083 0.718 1.985 0.793 0.958 1.855 1 2.364 1.010 1.436 1.128 1.308 0.052 0.449 1.240 0.596 1.159 0.625 1.477 0.631 0.897 0.705 8.654 0.341 2.871 8.201 3.278 3.956 7.662 4.131 8.766 4.172 5.832 4.660 8.613 2,595 0,102 0,887 2,448 0,978 1,182 2,268 1,234 2,916 1,248 1,772 1,392 1,975 2.913 0.115 1 2.760 1.103 1.332 2.579 1.391 3.287 1.404 1.997 1.569 2.228 11.29 0.445 3.877 10.70 4.275 5.183 10 5.392 12.74 5.445 7.742 6.082 8.831 9 host pending pending

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IN THREE MONTH STERLING PUTURES (LIFFE) 2500,000 points of 100%

BASE LENDING RATES Exeter Trust Limited 8.25 Financial & Gen Bank 8.00 uSinger & Friedlander 7.25 uSmith & Williamson 7.25 Sun Banking Corp Ltd 7.25 TSS 7.25 United Bank of Nuwelt 7.25 @Robert Fleming & Co7.25 OGunness Mahon 7.25 Hebib Bank AG Zurich 7.25 Unity Trust Benk Fic 7.25 Writeway Laidlew 7.25 Yorkshire Benk 7.25 OHambros Bank 7.25 Haffable & Gen Inv Bk.7.25 7.25 Honghong & Sharehei 7.25 Investee Bank (UK) Ltd7.25 725 Othern Shipley & Co Ltd 7.25 CLeopoid Joseph & Sons 7.25 Linyda Benk 7.25
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M US TREASURY BILL FUTURES (MM) \$1m per 100% 95.04 95.06 95.06 95,05 95,07 95,06 -0.02 +0.01 -0.01 95.05 Mer Jun Sep At Open 0.04 0.14 0.35 0.59 0.21 9600 9626 9650 9675 0.05 0.06 0.01 0 O SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

RAINFOREST WE PROVIDE TREES Pool percent of the p 18 use of peters TO CHOP DOWN. By belping people In the tainforest to plant trees, WWF are working to solve some of the problems that cause deforestatio Where trees are chopped down for firewood, we help plant fast growing saplings as a renewable source of fuel. This is particularly valuable to the Impenetrable Forest, Uganda, where indigenous

vears to manure. m the local villages are ready for harvesting in only five years

hardwoods take up to two hundred

Pakistan, we supply fast growing local pane species

The Financial Times plans to publish a Survey on

Azerbaijan

on Wednesday February 11 1998

For further Information please contact:

Nina Golovyatenko

Tel: +7 0 95 243 1125 Fax: +7 0 95 243 0077 or Annette Ebert

Tel: +49 69 156 85 163 Fax: +49 69 596 4481 or Ewa Placzek-Neves

Tel: +44 171 873 3725 Fax: +44 171 873 3934 or your usual Financial Times representative

The United Mexican States **Value Recovery Rights, Series A**

NOTICE IS HEREBY GIVEN pursuant to the Fiscal Agency Agreement dated as of March 28, 1990 (the "Agreement") under which the above Rights were issued that the Fiscal Agent has received a Calculation Report for the Payment Date occurring on December 31, 1997 from the International Montesters. tional Monetary Pund, as Calculation Agent for the Rights under the Agreement, setting forth the following amounts: 17.9100

Current Oil Price Reference Oil Price US\$ US\$ Current Oil Revenues Excess Base Revenues

Based upon the Calculation Report the Fiscal Agent has calculated for said Payment Date the following amounts: Value Recovery Payment US\$ 0.00019447208265317600 Carryforward Amount US\$ 0.00019447208265317600 Carryforward Amount CITIBANCO By: Citibank, N.A. as Fiscal Agent December 18, 1997

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echoe, gives you a unique recruitment advertising opportunity to and to target the French business world. For Information on rates and further details please telephone:

Toby Finden-Crofts on +44 171 873 4027

SOCIETE GENERALE FRF 500 000 000 Suber-linated Floating Rate Notes due 2001 ISIN CODE: X50632059822 For the period December 17, 1997 to March 18, 1998 the new me has been fixed at 3.75 % P.A. ext payment date: March 18, 1998 Coupon ar: 28 FRF 189.58 for the tomination of FRF 20 000 THE PRINCEPAL PAYING AGENT

ISSN CODE: SSSUSZORGE 22
In accordance with the Terms and
Conditions of the Nores, notice is
ereby given that the Interest Paymen
lates in 1998 in respect of the subject
Notes shall be as follows:
March 18, 1998
Jane 17, 1998
September 16, 1998
December 16, 1998 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST SA-LUXEMBOUR

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Falconbridge may advance smelter

By Kenneth Gooding, Mining Correspondent

Falconbridge, the Canadian mining group, yesterday hinted that it might be able to speed up the start of a \$1bn nickel smelter project in New Caledonia.

The 54,000-tonnes a year project has been at the centre of a dispute related to the French government's efforts to placate local separatists in the French Pacific territory ahead of a referendum about its independence.

We are committed to the projact," a Falconbridge official (Société Minière du Sud Pacifique),

feasibility study." Previously Kanak nationalists. Timing of the met's compensation set by an indeconstruction of the smelter might begin by 2006 and the French government called for it to be brought that this was the maximum time the group would need.

Falconbridge wanted to press tha feasibility study. However, this would depend on a satisfactory outcome to negotiations about a swap of assets between Eramet, the French ferro-nickel, special steels and manganese group, and SMSP met. The idea is that it should be insisted. "We want to get on with a controlled by New Caledonian Pours, owned by SMSP and Era-

Falconbridge had suggested that smelter project would be included in discussions about this swap.

On Tuesday the board of Eramet, 55 per cent owned by the French forward. Falconbridge pointed out state, approved the broad outlines of the government's plan "despite the significant consequences on the activity, competitiveness and ahead as quickly as possible with therefore the employment in the nickel division".

Falconbridge said that, in order for the smelter project to proceed, SMSP needed to control the Koniambo nickel deposit owned by Eraexchanged for a smaller deposit,

pendent party.

Agreement in principle was deposits to be held by an independent trustee until Falconbridge either began work on the smelter or withdrew. In the latter case, Koniambo would be returned to

Eramet. Jean-Jack Queyranne, French overseas territories secretary, said yesterday that he hoped talks between the various parties would begin in Paris in the second half of January. "Political discussions over the future of New Caledonia can now start," he said.

aded Eramet's plants but the group said, in spite of the impact on its reached last month for the two output, its net attributable profit for 1997 would be "appreciably highar" than the FFr305.4m (\$51.15m) recorded for 1996. Eramet's shares gained 5.75 per cent

yesterday to FFr230. Eramet said production and sales in the nickel division would be greater than in 1996 and the financial result would be helped by the strength of the US dollar against the French currency. The strong dollar would also boost the results from the high speed steel division and the manganese division.

COMMODITIES NEWS DIGEST

Venezuela lifts coffee output

Venezuela has underlined its intention to become an important coffee exporter, with above average production for a second consecutive year. Foncafé, the national coffee fund, said Venezuela produced 1.5m quintals (of 46kg each) in the season ending October 1997, against 1.6m quintals last season. The 30-year average is between 1.2m and 1.3m quintals.

Foncafé said the results were largely due to a programme it implemented with the government to renew coffee bushes and step up fumigation. Venezuela has fought off a type of fruit fly which has plagued much of Colombia's coffee production and spread into Venezuela.

Ramón Hernández, Foncafé managing director, said the results indicated that conditions were right for "Vene-zuela to become an important coffee export country". It exports 430,000 quintals, but with a production target of 2m quintals by 1999, its exports are set to nearly double. Raymond Colitt, Caracas

COPPER

Panama mine put on hold

Tests at one of the world's biggest undeveloped copper deposits have confirmed that the site has significant workable reserves, according to a senior executive involved in the project. However, further development at Cerro Colorado, in Panama, is likely to be put on hold until the copper price improves. Cerro Colorado, in the western province of Chiriqui, is estimated to be the world's 12th largest undeveloped deposit, with reserves of

more than 1bn tonnes. Michael Shaw, project manager for owner PanaCobre, a subsidiary of Canada's Tiomin Resources, said a recent feasibility study indicated between 65m and 70m tonnes of leachable ore deposits of between 0.6 per cent and 0.7 per cent grade. A further Ibn tonnes of deposits of the same grade could be extracted using conventional flotation methods. "We have a project, but the copper price is awful," Mr Shaw said. "At a little bit higher price it is doable." Copper has recently been trading at between \$1,740 and \$1,750 a tonne - the lowest since January 1994.

James Wilson, Panama City

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De Beers delays sales data

De Beers, the Sonth African group that dominates world trade in rough diamonds, alarmed the stockbroking communities in Johannesburg and London yesterday by postponing an announcement about 1997 diamond sales from

today to Monday. Analysts suggested the sales total was easily estimated most are looking for about \$4.5bn, well below last year's record \$4.834bn - but the delay might be because De Beers had bad news about the ontlook for 1998. De Beers said that, although there was clearly cause for concern about the Asian markets because of financial turmoil in that region, the postponement was so that Nicky Oppenheimer and Gary Raife, who next month become chairman and managing director, respectively, could personally brief analysts about the figures. Kermeth Gooding

stay subdued

MARKETS REPORT By Vincent Boland, Kenneth Gooding and Robert Corzine

Coffee and cocoa futures prices remained weak yesterday after sharp corrections earlier in the week resulting from aggressive selling after reports of frost and stock

On the London International Financial Futures and Options Exchange, the March coffee future closed down \$72 a tonne at \$1,643, on volume of just over 6,900

On the New York Cotton, Sugar and Cocoa Exchange, the March future had fallen 2.10 cents a pound to 165 cents by midday.

Cocoa futures were also slightly weaker, with the Liffe March contract closing £12 down at £1.107 a tonne. while the CSCE March future was down \$11 at \$1.696 a tonne at noon. Sugar futures firmed. The

Liffe March future closed \$1.40 a tonne higher at \$305.40, due to short-covering by funds after a sharp rally in New York.

Oil prices received a modest boost from colder back to \$1,775, up \$20, in late weather in Europe, but the trading.

COMMODITIES PRICES

rise was moderated by bear-

ish US inventory data. Brent Blend for February delivery, the international bellwether, was trading at about \$17.61 a barrel in late trading on London's International Petroleum Exchange, up 24 cents on Tuesday's close. The January contract on the New York Mercantile Exchange was down I cent around midday at \$18.16 a

The surprise Japanese tax cuts to belp economic recovery helped to lift base and precious metals. Platinum. which fell to 8 4%-year low on Tuesday, recovered some ground to close in London up \$6.50 an ounce at \$348.

Gold broke out of a narrow trading range to close in London at \$287.50, up \$4.50 an ounce. "In spite of breaking free from \$285, the long-term picture remains bearish with the market continuing to eye \$280," said Michael Christian, analyst at Rudolf Wolff.

On the London Metal Exchange, the price of copper, which on Tuesday touched a four-year low of \$1,740 a torine, rose to \$1,787 at one stage before easing

Coffee, cocoa Study calls for free gold trade

By Kenneth Gooding

Allowing gold to be traded without regulatory barriers would benefit many countries economically and financially, according to research commissioned by the World Gold Council, a promotional organisation financed by some gold producers.

The study says there are only two genuinely free gold markets in the world: Dubai and Hong Kong, Every other country imposes either fiscal or legal restrictions on the trade, and these limit the volume of trade and the use of gold.

It says that if gold regulations in China were reduced to the levels of those in India, which are still retatively high after some liberalisation in recent years, and if gold consumption per head was at the same level, China could collect US\$500m a year in extra import doties and annual gold demand would increase by 830 tonnes. That represents nearly one third of 1996 global gold demand.

The study says governments often attempt to justify extra taxes on gold by suggesting that gold buyers are among the most advantaged members of the community so it is fair that gold and gold products should be taxed more heavily as luxury goods.

"However, because gold is



Gold is universally coveted for its prime uses as a store of value and adornment

universally coveted for its prime uses as a store of to free up gold for three value and adornment, its main reasons, the study sugpurchase is not restricted to the rich," says the study.

"As a result, the beavy taxation of gold can be regressive [bears most heavily on the poor). This is particularly true for developing countries which include have been long abandoned. the bulk of the world's poor and where inadequately developed banking systems and currency instability heighten the use of gold as a store of value.

Governments have failed

• They fear deregulation of gold will lead to or exacerbate exchange rate instability even though the gold standard and its successor, the gold exchange standard, The study asserts: "Gold transactions no longer have the potential to upset the

They fear gold deregulation could lead to loss of out by Bannock Consulting.

domestic monetary control. "This, too, is an outmoded conception, since any potential magnitude of gold transactions is in all countries very small in relation to the total money supply."

 They fear deregulation will lead to an increase in illicit or underground trade in both the gold and nongold sectors. "In fact, the evidence is that quite the opposite is the case," the study

The research was carried

CHRISTMAS PRIZE CROSSWORDS

BASE METALS

LONDON METAL EXCHANGE

M ALUMINIUM, 90	7 PURITY R	per torine)
	Cuels	3 mths
Close	1506-07	1531.5-32.5
Previous High/low	1493.5-4.5 17/a	1520-1 n/a
AM Official	1510-11	1534-35
Kerb close		11/2
Open Int.	257,040	
Total daily turnover	112,865	
E ALUMINIUM AL	LOY (5 per lo	Inne)
Close	1370-75	1396-97
Previous	1360-70	1385-90
High/low AM Official	n∕a 1373-78	n/a 1395-96
Kerb close	12/3-70	n/a
Open Int.	5,226	-
Total daily turnover	1,936	
LEAD (\$ per tors	ne)	
Close	527.5-26.5	538-39
Previous	533.5-4.5	544-4.5
High-low	n/a	n/a.
AM Official Kerb close	526,5-7	538-7 n/a
Open Int.	32,337	140
Total daily turnover	9,600	
M NICKEL (\$ per to	onne)	
Close	5895-905	5995-6000
Previous	5830-40	6030-35
High low AM Official	n/4 5895-906	n'a 5995-8000
Nerb close	2033-903	n'a
Cipen int	59,664	
1ctal daily furnover	21,370	
TIN (5 per tonne		
Close	5450-60	5370-80
Previous High low	5375-85 n/a	5280-85 11/3
AM Official	5430-35	5365-70
kerb close		n/a
Open int	15.656	
Total daily turnover	3,637	
ZINC, special M		
Close	1108-09	1132-33
Previous High:low	1102-3 r/a	1127-8 n.a
AM Official	1104-05	1128 5-29
Kerb close		n/a
Open int Total daily tumover	26,931	
COPPER, grade		e)
Close	1739-40	1789-70
Previous	1737 5-8.5	1767-8
High-low	n/a	n/a
AM Official	1734-35	1765-65 5
Kerb close Open int	154.008	n/a
Total dady turnover	59.676	
E LME AM Officie		650A
LIME Closing SA	Frate: n/a	
Sport 16521 3 mers 1645	3 6 miles 1,5384 !	9 mins. 1 6223
HIGH GRADE C		EX)
Sett Day's		Onen

79.10 +1.25 79.30 78.40 497 1.055 79.55 +1.30 79.70 72.70 259 3,318 81 25 +1.25 81 25 80.50 23 1,510 81 50 +1.20 81 70 80 90 264 4,983 8,130 67,704 PRECIOUS METALS

III LONDON BULLION MARKET (Prices supplied by N M Rotrischild) 287,60-233,00 173.153 409.352 174.539 413.209 287.85 289 50-230.00 Day's Low 285.50-286.00 Previous close 386.20-385 70

Loce Ldn Mean Gold Landing Rates (Vs USS) ...4.0R Smooths 605.00 606.05 387.95 6 months

365 65 595.75 Gold Coins 5 price 282 5-284.5 £ agusy. 40-42 66-69

Precious Metals continued M GOLD COMEX (100 Troy oz.; S/troy oz.)

	Satt	Day's				Open
	price	chenge	High	GW	Yo.	int
Dec	289.1	+5.7	289.7	286.3	367	275
Jag	289.8	+5.7	283.3	283.2	3	2
Feb	291.1	+5.7	291.7	285.5	32,005	101k
Apr'	292.8	+5,B	293.0	287 1	1,472	11,745
June	294.8	+5.8	296.0	292.2	952	11,633
APR	296.8	+5.B	296.0	296.0	10	5,262
Total					35,439	187,384
E Pt.	ATINUN	NYME	EX (50	Troy or	1. \$/tre	y OZ.)
Jan	354.0	+13.4	355.0	342.0	3,511	9,448
Apr	353.2	+13.1	354 5	345.0	1,911	5,143
10	352.7	+13.1	355.0	347.0	46	253
(otal					5,771	14,846
E PA	LLADIU	M NYM	EX (100	Troy o	z: 5/0	oy az)
Dec	191.05	+6.25	191.00	187.00	51	260
ilar	188.05			185.20		3,403
Jun	168 05		186.00	185.00	78	238
Sep	1B3.05	+6.00	-	-	-	4
Total					1,518	2,905
SIL	VER CO	MEX (5.	000 Tra	y 02.; C	ants tro	(02.)
			and the same of		-02	587
Dec	592.6	+16	597.0	593.0	182	30/
	592.6 594.6	+16 +15	597.0	593.0	102	29
Jan			609.5	-	4	
ian Har Hay	594 6	+15	609.5 600.0	591 5 595.0	4	29
Dec Jan Mar May Jal	994 6 596 8	+15	609.5	591 5	14,961 573 1,033	29 67,860

ENERGY ■ CRUDE Off, NYMEX (1,000 barrels, \$*burrel) +008 1858 1815 30.184 108k +002 1988 1052 5.462 25.325 +002 18.96 18.66 1,589 21.667 +002 19.05 18.76 3.517 34.284 17 50 +0 13 17 55 17 08 16 599 83 473 17 32 6 646 32 534 17 40 1 233 15,774 17 48 310 12,031 17 69 210 18,169

HI HEATING O'L NYMEX :42,000 US galls, CUS galls! 51.85 +0.26 51.90 50.90 22,444 40.847 52.45 +0.24 52.55 52.00 2,686 17.338 52.10 +0.29 52.10 51.70 1.165 10.189 51 65 +0 34 51.75 51.30 293 6.172 51 40 +0.29 51 40 51 15 855 10 789 26,255 148,663 160.00 -0.25 160.50 157.00 6.593 27.979

Dec Jan Ner Her Her Jur Ang Total

Mar Apr May Jun Hov Total Dec Jan Feb Apr 161.25 -0.25 161.50 150.25 397 4,848 161.50 -0.25 161.75 159.75 365 3.141 161.25 +0.25 161.50 100.00 192 11.296 NATURAL GAS FE (1,000 Series, pence per Series) 17.708 -0.106 17.700 17.700 50 4.000 17.690 -0.060 - - - 3.230 MATURAL GAS WHEL HE OUT MARKET STREET Lutest Day's Open price change High Low Vol. inf 2.505 +0.096 2.510 2.380 24.798 41.759 2450 +0 C81 2460 2330 8,822 35,852 2360 +0 061 2360 2275 3,688 24,429

2210 +0.618 2215 2.190 364 9.321 2210 +0.025 2210 2.185 572 8,926 NYMEX (42,000 US gails.; CUS gails.) Day's Oper Change High Low Yol Int 55.35 -0.16 55.85 54.85 15.730 24.311 55.70 -0.04 56.15 55.10 11.709 30.993 58.70 -0.19 59.10 56.70 2.244 11.278 58 70 -0.01 58.85 58.55 1,656 10.207 \$7.90 -0.31 \$7.50 \$7.90

GRAINS AND OIL: SEEDS WHEAT LIFFE (100 tonnes; 2 per tonne) Low Vot let

81.70 -0.65 82.00 81.50 84.20 -0.15 84.25 83.95 -12 173 3,701 10 473 10 23 81.20 -0.80 81.50 81.45 WHEAT CST (5,000bu min; cents/60b bushel) 332.50 +1.00 333.00 331.50 34 77 345.50 +2.50 346.75 342.25 7,636 54,907 353.00 +2.25 354.00 350.75 1.027 11.877 358.75 +2.00 359.50 356.50 1,826 18,857 364.00 +1.25 363.00 363.00 12 461 373.25 +2.25 373.25 371.00 417 2,613 ■ MAIZE C87 (5.000 bu min; cents/56tb bushel) ■ COCOA (ICCO) (SDR's/tonne) 261.00 +1.75 261.50 260.00 2,331 4,079 272.50 +1.50 273.50 270.75 33,248175,644 280.00 +1.50 280.50 278.50 2,637 45,825 282.25 +2.50 282.75 281.00 290 5,708 284.00 +2.75 284.25 262.00 1,821 33,148 43,867 \$23,337 ■ BARLEY LIFFE (100 tormes; £ per torme) 75.00 -0.50 75.00 75.00 3 250 80.15 -0.75 90 50 80.15 III SOYABEANS CET (5,000be tale, centration bushel) 689.50 +3.50 631.00 684.00 21.282 55.409 899.05 +3.50 631.00 694.00 21.22 55.409 690.75 +4.25 6915.00 685.50 9.507 38,143 695.75 +4.25 695.00 685.50 2.510 24,146 702.00 +6.50 702.00 697.00 2,764 25,652 701.00 -0.00 702.00 697.00 268 3,427 882.00 +5.00 681.50 677.00 48 225 37.263 187.037 Comp. daily 15 day average SOYABEAN OIL CET (50,000ibs: cents/lb) 24.80 +0.27 24.65 24.53 322 459 24.95 +0.26 24.95 24.70 7,692 34.370 25.29 +0.23 25.32 25.02 5,752 39,021 25.51 +0.24 25.48 25.30 1,428 14,691 25.52 +0.22 25.90 25.45 791 12,005 75 C +0 22 25 60 25 45 791 12,006 25 55 +0 25 25 57 25.41 202 3,339 16,445 105,730 SOYABEAN MEAL COT (100 tons; \$/ton) 2157 -0.4 216.5 215.0 3,832 4,247 211 0 +0.3 212.0 210.1 9,367 26,045 2010 403 2120 2001 9,567 28,045 208.0 4.09 2092 2007.5 7,623 34,315 207.7 +14 207.8 206.3 3,530 22,525 209.3 +1.7 209.2 207.5 1,688 15,922 209.5 +1.9 209.5 207.7 721 4,557 28,466 177,136

■ POTATOES LIFFE (20 tonnes; € per tonne) 91.0 +20 +20 +20 1150 125.0 135.0 560 E FREIGHT (BIFFE) LIFFE (\$10/index point) +2 1272 1272 5 -25 1185 1175 43 -17 - - --10 1275 1275 5 1272 1175 1163 1280 1170 53 Close Pre/ 1275 1286

III PULPEX OMLX (USS; 24 air dry tonsi 500 00 -2.00 500.00 500 00

Minor metals from Metal Bulletin European tree market, S per b in were-house (changes in brackets). Antimony, 99,65%, S per tonne, 1,650-1,630 (1,590-99.65%, \$ per tonne, 1,650-1,630 (1,590-1,630). Bismeritic min. 99.99%, tonne lots 3.20-3.35. Cadmiums min. 99.99%, tonne lots 3.20-3.35. Cadmiums min. 99.65%, conts a cound, 35.00-40.00 (30.00-40.00). Cobatt-MB free market, min. 99.6%, 25.25-25.00 (25.25-25.25); min. 99.3%, 18.80-19.30 (19.10-19.60). Mercenty: min. 99.99%, \$ per 76 ib faset, 140-150. Molybdebourne drummed molybdic outce, 3.80-3.95. Selenkars: min. 99.5%, 2.00-3.00. Tungaten core: standard min. 65%, \$ per tonne una SOFTS ■ COCOA LIFFE (10 tonnes; £/tons

-12 1132 1119 703 24,934 -12 1149 1139 233 11,696 -8 1184 1173 1,591 23,370 COCOA CSCE (10 tornes; \$/tornes) -14 1710 168511,890 44,865 -14 1735 1713 2,791 20,526 -14 1749 1734 207 4,744 -14 1762 1782 175 5,895 -14 1823 1802 470 8,403 -14 1870 1844 16 9,912 45,549 98,236 Prat. day 1389.21 COFFEE LIFFE (5 tonnes; \$/tonne) 1658 -65 1700 1635 3,232 10,121 1643 -72 1690 1620 6,980 26,212 1638 -65 1670 1615 637 7,110 1633 -60 1680 1620 110 1,378 1633 -60 - - 619 1638 -60 - - 30 - - 619 - - 30 11,185 46,470 COFFEE 'C' CSCE (37,500 be; cents/bs)

164.25 -3.75 160.00 161.50 149 256
160.65 -6.25 167.25 160.5011.574 19,179
155.70 -6.00 162.00 155.50 1,025 5,820
150.05 -4.90 155.50 150.50 408 2,802
150.05 -4.90 167.50 164.25 321 1,274
139.68 -2.00 143.00 140.00 73 1,200 COFFEE (ICO) (US cents/pound) 130.44 ■ WHITE SUGAR LIFFE (50 tonnes; \$/tonne)

183 724 161 431 120 PULP AND PAPER

PUTURES DATA All lutures data supplied by CMS.

one: standard min. 65%, \$ per tors (10kg) WO, CE, 40-52, Vanadium 58%, CE, 4,65-4,85 (4,35-4,50).

129.81 306.2 +3.7 306.5 300.7 2.497 22.544 311.3 +9.0 310.0 307.0 233 7.125 313.1 +2.1 312.5 310.0 68 4,866 307.4 +2.0 305.4 304.5 356 4,307 308.5 +0.7 308.0 307.5 10 153 3,246 30,215 SUGAR '11' CSCE (112,000lbs; cunts/lbs) 12.16 +0.23 12.22 11.8636,594 100k 12.00 +0.12 12.09 11.81 5.868 35,085 11.84 +0.09 11.67 11.51 2,522 29,189 11.55 +0.04 11.60 11.44 2.306 25,598 11.40 +0.04 11.45 11.34 712 7,157 11.34 +0.04 11.31 11.30 295 1,086 48,335 199,424 COTTON NYCE (50,000/bs: cents/lbs)

67.19 +1.07 67.20 68.42 8,562 43,605 58.39 +0.05 66.40 67.71 2.223 15.322 69.63 +0.83 69.70 69.05 1.121 15.170 71.45 +0.65 71.50 71.00 70 1.361 72.18 +0.43 72.30 71.00 1,494 12,338 73.35 - 73.35 73.35 82 384 CRANGE JUICE NYCE (15,000bs; cents/bs) 86.80 -1.96 88.50 84.00 4,791 17,017 68.25 -1.65 91.70 87.50 3,423 20,449 93.80 -1.55 94.60 80.80 515 4.889 96.85 -1.45 98.00 94.80 549 3.057 99.95 -1.50 95.00 95.00 220 1.312

9,731 48,521

VOLUME DATA
Open interest and Volume data sho contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months. **INDICES** Reuters (Base: 18/3/31 = 100)

102.45 -1.10 105.00 105.00

Dec 17 Dec 16 month ago year ago 1780.6 1785.0 1816.4 1863.1 E CRS Futures (Base: 1967 = 100) Dec 18 Dec 15 month ago year ago 233.03 235.86 E GSCI Spot (Base: 1970 = 100) Dec 15 month ago year ego 179.81 199.63 227.85 Dec 1\$ -3,950 +560 -3,725 -225 -6 +175 +370 42,180 329,650 MEAT AND LIVESTOCK M LIVE CATTLE CME (40,000lbs; cents/lbs) Sett Day's Price change High Low

67.250+1.075 67.275 66,000 1,547 5,826 69.825 +0.500 69.790 69.000 3,941 25,057 69.025 +0.550 69.125 68.450 1,745 16,720 69.675 +0.275 70.100 89.800 646 5.634 IL LEAN HOGS CME (40,000lbs; pents/lbs) Fish 80,025 -0.375 80,300 59,850 3,098 22,889 57,250 -0.500 57,500 57,000 1,020 8,327 3,000 64,900 -0.425 85,250 64,725 803 4,865 3,000 -0.425 85,250 64,725 803 1,443 404 61,625 -0.350 61,800 61,600 44 254 64 64 27,700 -0.250 57,850 57,700 56 602 7,004 64 7,700 -0.250 57,850 57,700 5,244 40,789

Feb 55.825 -1.275 56.750 55.700 1.05
Mary 56.300 -1.925 55.900 58.250
May 56.300 -1.850 57.000 56.250
Jul 54.550 -1.700 56.000 54.850
51.025 -1.050 52.100 51.025
Total 55.825 -1.275 56.750 55.700 1,072 6,004 55.300 - 1.025 55.900 55.250 165

LONDON TRADED OPTIONS Strike price 5 tonne - Calls - - Puts -E ALUMINIUM 141 169 4 64 99 28 20 51 88

■ COPPER (Grade A) LME 138 83 46 COFFEE LIFFE COCOA LIFFE 73 60 51 1700

LONDON SPOT MARKETS CRUDE OIL FOB (per barrel) \$15.95-8.05 -0.080 \$17.54-7.56 +0.085 W.T.I. III OIL PRODUCTS AWA

Heavy Fuel Ot \$78-80 \$169-170 Jet fuel \$152-184 \$169-171 Bacton (Jan) 17.65-17.75 +0.10

ion (0171) 359 8792 COTHER Gold (per troy oz)? Silver (per troy oz)? 595,00c -1.00 Platinum (per troy cz.) Palladium (per troy cz.) Copper Lead (US prod.) Tin (Kusla Lumpur) 83.0e 20.30 +3.0

Cattle (live weight) Sheep (live weight) Pigs (live weight)† 89.830 84.36p 68.91p +3.72 Lon. day sugar (raw) Lon. day sugar (wte) Berley (Eng. feed) Malze (US No3 Yellow \$297.00 Wheat (US Dark Norti Rubber (Dec)♥ Rubber (Jan)♥ Rubber (KL RSS No1) Coconut Of (Phil)§ Paim Oil (Malay.)§ Paim Oil (Mail Copra (Phil)§ 188 0

Wooltops (64s Super). 392o er tonne unless otherwise stated, p pencefig. opplitig, m Malaysian containing y darffe indon Physical. § CE Robertam. \$ that **JOTTER PAD**

DIAMONDS

Win Pelikan pens by solving The FT Christmas Crossword by Cinephile on Saturday and a double puzzle by Diamutz on Saturday December 27. vvs champaone and wine and food vouchers are prizes the Monday puzzles on December 22 and 29.

CROSSWORD

No.9,561 Set by CAPER

ACROSS 10 Newspaper starts to influence campaign for non-chemical production (7)

11 Chief dislike? Possibly dog on heat, frisky (3,4) 12 Girl's fool joining motoring

organisation (5) 18 Wrote bad things about autiful girl in a common hat (8) 15 Jaw - what does one do with low grade meat?

16 Primarily seedy person, insincere villain (4) 18 Map 80% of surface (4) 20 Old car - doctor breaks one outside hospital (10) 22 The first animal to be entered in a dictionary (8) 24 Damn dog's energy (5) 26 Small amounts of puddings 25 Dead upset - and other

27 Very hot - run out to local 28 Part of Romania where, around start of nightfall, a very nasty lair could be discovered (12)

DOWN 2 Sort of music featured in newspaper and American magazine (7)
Pay with the right note silly bucks sren't accepted here (3-5)

5 Copies responses about new act (10) 6 Name - some spelt it backwards (5) 7 Unfortunately run slap into

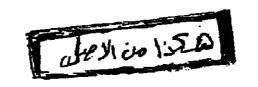
traffic jam (5-2) 8 Potential narcotics made by factories after explorer returned with company

9 Boss superior to rogues absolutely (4.4.5) 14 Very comfortable place – food, beers, dancing, then start to sleep (3.2.5) 17 After 100, English batsman has exercise, taking a pulse

19 If trail becomes vague, take out by chopper, perhaps (7) 21 City King takes a car back to - hot one (7) 23 Dwelling - very bad one? Quite the opposite (5)

Solution 9,560

things (2,2)



TIES NEWS DIGEST zuela lifts

7-1

e output maderellened ifn februite er ber bereiter at o multimiter, mitte Aporton gran fing fingefield smergifen kant heilfegen gegen unt eine eine beite bei Service beautiful 2 2011 Service of which CHARLE BANK CALL CARE THE THE STATE OF THE timente giber ge baebt iften gefte, in bei beite anter

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A time was at a topperator of the control of the d Rem mean or remaind that the way to a second second that the second se the fine space of the second of the state of the second of her green the second transfer of the second t framen eff 4 Meringen, in emt transition in the Applicat respectivelying the angle of the action of the ac and, preserved topologically the last of the last topological Carandy a Trought Rossian of the party and the last same a contract to the con Application but proper control to be a series of the serie fairthee flut france of the party of the the will ran book burning events out on the belling in Backers present, then the contract of a de-

Raban pungungah bangs beis ang at at new States Andrew Alexander and Anna Andrew Andr

5

ga delays sales data

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FT MANAGED FUNDS SERVICE

Offshore Funds

ISLE OF MAN (FSA RECOGNISED)

89.50

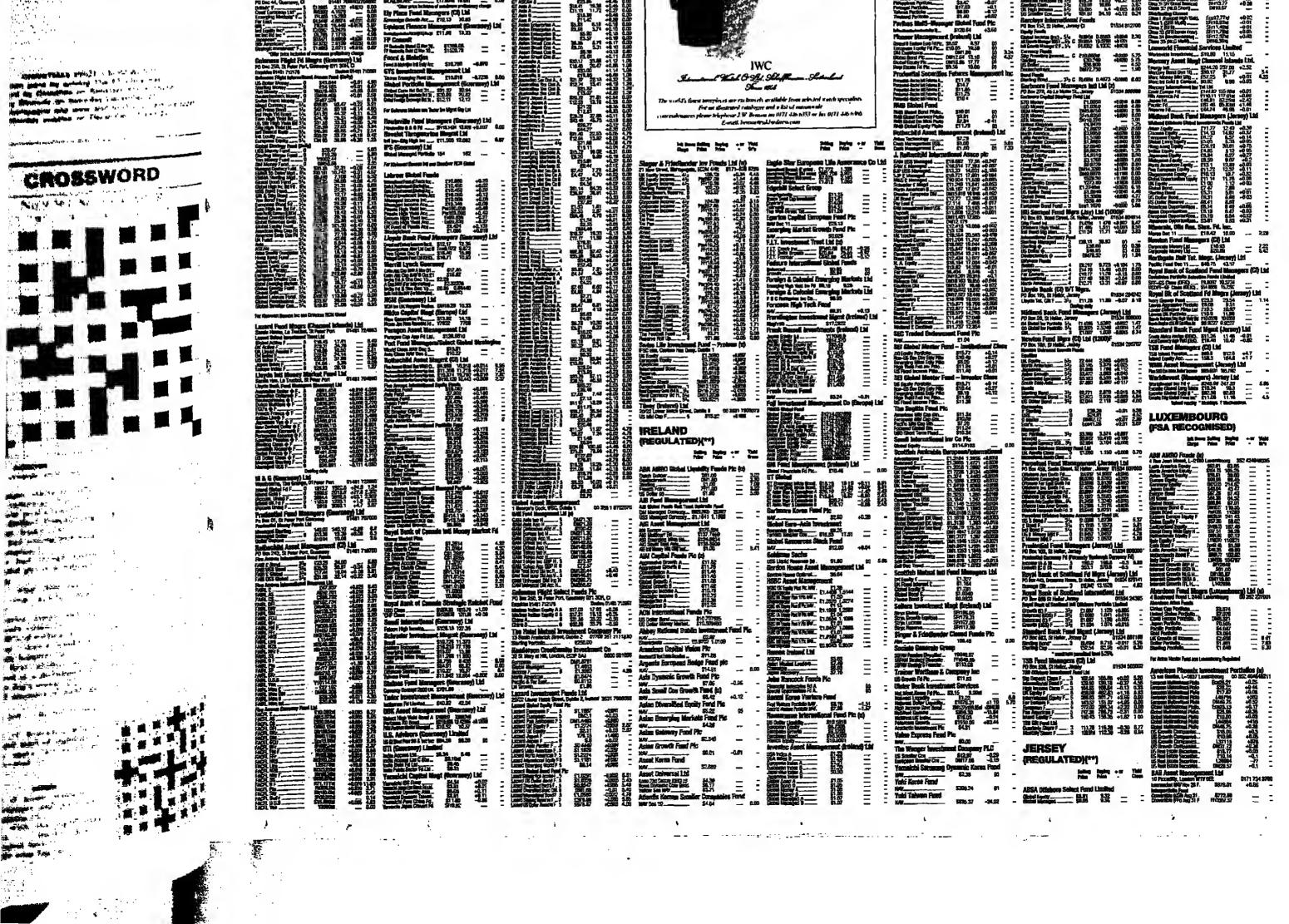
● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. **OFFSHORE** RELAND **IFSA RECOGNISED** AND OVERSEAS BIVESTORS Fund Services (Int BT&T Asset Management (fre BERMUDA Manue Flor East, Food Pic 50.00 -(FSA RECOGNISED) 400 Korea Capital Scouth Fo Koren Special Opport Karne Sprint Fund Pic Koron Steelingth Growth Franci Lank of Cyprae Bross Harbacounty Pace, FSC Dasha T Korona Bracyling Grove Could Bracyling Grove Could Bracyling Streets... Korona Power Found Karena Professed State Fo Lazzerd Jeroskowel Punds 11d Commission on an experimental Pro-ton in the International Pro-ton in the Internation of the International Constitution Control In International Constitution Control In International GUERNSEY BERMUDA Serguir _____ 21 000 1 1000 Liderum Bren. Fil. & Partners Asset Highert Lid GL Retained 519855
GL Carter Agarmentos 517942
GL Opportunity 517647
GL Partermone 517647 \$47.10 \$1.10 +05 63 - 75 - 25 13 idior East Asia Class 8 .-lates East Asia Class 8 .-La Paristenana. Citt Israel Street Parist S Continue for America Sq. Continue Rocks America Sq. Continue America Sq. Continue State Property Str. on Mary (Freiend) (36 (b) 914 Why many people will try for a pilots licence this year. Pacific 21st Contary Pond TIGERS Pacific Growth Fund Ltd. Why few will get one. **GUERNSEY** Service Subsect Assist Mariet (American) Ltd.

Credit Subsect Assist Mariet (American) Ltd.

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Now Europe Data Acc., \$1.05 1.06 ... (FSA RECOGNISED) | Section | Sect FREE AS STATE OF THE STATE OF T

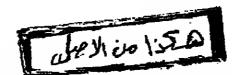




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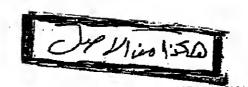
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US Power Industry on Tuesday February 3 1998 For further information please contact: Kate Zietarski

Buyers' enthusiasm fades to leave shares down

MARKET REPORT By Stave Thompson,

UK Stock Market Editor

The three-day rally that saw the points, or 8.3 per cent, continued briefly yesterday, before grinding

to halt in mid morning. Thereafter, pockets of profittaking and a lack of enthusiasm saw stock prices slip back to fin-

ish the session modestly lower. "The market simply ran out of gas, ironically on a day when all the signals from overseas were positive and when the economic news provided no real inflationary worries," said one dealer.

He insisted, however, that London faced no serious problems in eastern markets turned tail again. "On the contrary, there is still a bullish feeling in London. FTSE 100 index race up 167 as long as the buy-back and bid stories continue," he said.

However, there was further concern about job losses around the City's trading desks highlighted by reports that Douglas Baker, head of marketmaking at HSBC James Capel, had resigned vesterday.

Footsie ended an erratic tradsession peak of 5,247.6, up 44.2.

The FTSE 250, which had 225 average fizzed up 3.5 per cent, ion retailing chain, and Mullooked comfortable for much of as did Hong Kong and the Seoul berry, the luxury-goods manufacthe day, finished 0.7 off at 4,756.8. market. The FTSE SmallCap was mora robust and nudged up 1.7 to was broadly in line with expectaregain the 2.300 level, finishing at

Wall Street had finished Tuesday in good heart, albeit well below the session-high, as the US Federal Reserve left interest November sales showed a 0.4 per rates on hold. The Dow Jones industrial Average moved erratically yesterday, after a strong anecdotal evidence and the rise in early trading.

The news from the far east was ing day 12.6 points lower at extremely positive after the Japa-5,199.8. At its best shortly after nese government's rescue packthe opening bell, the index hit a age was well received in the Tokyo stock market. The Nikkei

The UK unemployment report tions but there was more disturbing evidence that the high street retailers were not having any thing like a good time in the crucial pre-Christmas trading period. cent dip.

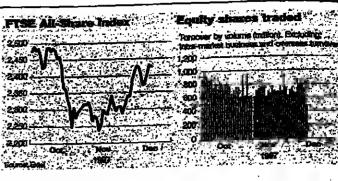
The official data tied in with recent British Retail Consortium survey that pointed to a slowing

Retailing gloom was exacerbated by profits warnings from hetween FTSE 100 and other Oasis Group, the high street fash-

berry, the luxury-goods manufacturer. Those warnings, plus another from Coats Viyella, the textiles group, provided most of the bad news in the market.

Some of the recent froth that has driven the banks and insurances sharply higher over recent months, was blown away in the absence of any hard takeover news. The former building societies, which attracted big interest from the institutions on demutualisation, were given a rough ride in the market yesterday.

Turnover was an encouraging 870.6 shares at 6pm, split evenly



FTSE 100 5190.8 FTSE Non-Fins p/e 4756.3 2488.2 FTSE 100 Fut Dec FTSE 350 FTSE All-Share 10 yr Gilt yield 6.40 Long gilt/equity yld ratio 2.00 FTSE All-Share yield 3.21

Life Assurance Diversified inds

Textiles & Apparel Retailers: Food Oil Exploration & Prod Gas Distribution

TRADING VOLUME

Major Stocks Yesterday

-27.1

20.17 -10.0

20.11

5208.0

Gloom among stores

By Joel Kibazo, Peter John and Martin Brice

Dark clouds reamined over the retail sector as two profit a poor pre-Christmas trading

Fashion retailer Oasis for the year to January 1998 are expected to be below current market expectations. ing profits of between £15.8 and £17m. Mulberry Group, the designer and maoufacturer, also warned of current-year profits falling sbort

group said: "Early indications hased on wbolesale stocking and early Christ- 140 per cent, the UK's big-

The statements from both groups sent their shares into retreat. Oasis tumbled 56 or 30.1 per cent to 130p, while Mulberry crashed 20 or 27.21 per ceot to 53%p.

The warnings only served to add to the gloom that has been overhanging the stores sector since signs of poor Christmas season trading profit forecast. BZW was emerged at the end of last already at the low end of month. The bad oews started with reports that House of down from £75m to £30m as Fraser was launching a pre-Christmas sale and were fol-

the sector from the British Retail Consortium.

Yesterday SocGen moved to downgrade profit expectations at house stock Oasis and several other leading issues in the sector. The broker cut its current-year estimates for Oasis to between £10m and £12m from a previous estimate of £15.6m.

Turning to the rest of the sector. Marks and Spencer is now expected to report profits £20m less at £1.140bn while profit forecasts at Next were reduced by £10m to £175m. Analyst Nick Bubb at Stores warned that profits SocGen said simply: "Christmas is turning out to be very

disappointing. Shares in M&S gave up 20 Analysts had been forecast- to 600p, while HOF was also down, closing 3 lighter at 2171/2p. However, bargainhunting in Next helped the shares end the day 3 ahead

at 687%p. Coats Viyella must he The ready-to-wear clothing praying for the decade to and interior design products end. Over a period during which the overall UK market doubled and the Footsie rose mas retalling are that Christmas sales will be lacklustre," gest textiles group has fallen more than 30 per cent.

Yesterday, the shares turnbled 15% to 95p - easily the worst performance among the UK's top 350 stocks - as a profits warning prompted swingeing broker down-

Dealers said BZW, the company's broker, had more than halved its current-year range of forecasts hot came it factored in a surprise exceptional hit and a warnlowed by a gloomy report on ing of a fall-off in trading.

More significantly, BZW is believed to have taken its 1998 dividend forecast down to 4.4p. That compares with an 8.8p total divideod last year and will be a blow to

2.300.5.

income-seeking funds. The slide represents only the latest in a series of knocks that have taken the shares down from a high of 284p four years ago. Only three months ago analysts cut full-year profit forecasts from about £140m to £90m-£100m, after the company announced a 12 per cent dip

in the first-half figure. Nycomed Amersham, formed in October with the merger of Amersham International and Nycomed, celebrated its first day of trading in the Footsie with a rise of

80 to £23.50, The healthcare group came into the main index after a place was created by the merger of Guinness and

Ord, div. yield P/E ratio net

GrandMet. The cachet of Footsie status teods to Racal is capitalised at £700m. attract extra investor interest, particularly from over-

Also, Salomon initiated coverage of the stock with an "outperform" rating. Racal achieved one of the better performances in the FTSE 250, helped by a strong "buy" note from Henderson Crosthwaite and sustained huying hy directors. The stock gained 61/2 to 250p in volume of 1.2m.

An announcement to the stock exchange showed that Sir Ernest Harrisco had bought 545,000 shares last week, while four other directors had bought a total of 55,000 shares at 232p.

Henderson Crosthwaite told clients the shares were 18 times earnings. currently trading at a 25 per cent discount to a break-up value of more than 320p. Brian Newman at the bro-

3285.9 3313.0 3272.2 3235.6 3228.9 2762.8 3430.3 2668.8 3.42 3.41 3.46 3.50 3.51 4.17 4.22 3.23 21.19 21.57 21.23 20.98 20.95 17.07 22.33 15.80 20.90 21.28 20.94 20.70 20.66 16.90 22.02 15.71

Dec 17 Dec 16 Dec 15 Dec 12 Dec 11 Yr ago '

\$3,234 \$3,234 49,128 43,350 46,511 \$2,261 - NA NA 1603.1 2931.5 1193.1 - NA NA 32,609 40,056 21,108 - NA NA A81.7 823,4 383,4

BERKELEY FUTURES LIMITED

Open 9.00 19.00 11.00 12.00 13.00 14.00 16.00 16.00 High Low

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ker said: "At 250p a share, If Racal Telecom is worth £425m, or 150p a share, the

remaining electronic interests are trading at less than 9 times prospective Zeneca raced ahead 49 to £20.77 as some reassuring the stock.

fundamental news bolstered the enthusiasm engendered by Lehman Brothers' big upgrada earlier in the week Zeneca announced the \$500m purchase of a Japanese-owned agrochemicals business, Ishihara Sangyo Kaisha's US fungal control arm.

Analysts said the deal was not huge hat strategically its profits warning on sensible, and not expensive at two times sales and about

Merrill Lynch announce its top UK tips for 1998 an focused heavily on banking in spite of this sector strong outperformance over the past 12 months.

Merrill selected Abbe National, which is widel; seen as a consolidation can didate, but which fell 44 to £11.03 after strong rises thi week. The broker also high lighted Lloyds TSB, which has soared above its secto rivals since its merger with TSB and which yesterday added 13 at 789p. Merrill als recommended, British Aero space, Ladhroke, Railtrack and Imperial Tobacco.

Guardian Royal Exchange shed 10 to 324p. The insure said it was buying PP Healthcare for £435m Annual cost savings would be £14m and the acquisition is expected to be earnings enhancing in 1999. British-Borneo, the oll

exploration and production company, dropped 18 to 418½p after it was announced that reserves at two of its fields in the North Sea had been downgraded. However, some analysts

reduce net asset value by no more than 4p a share.

Diageo, the food and drinks group created from the merger between Guin-ness and Grand Metropolitan, had a lacklustre opening with the shares closing 11/4 off at 590p. SGST were reported to be firm buyers of

Cookson Group gained 7 to 196%p in spite of the loss of Richard Oster, its chairman. Robert Malpas, who was chairman until September. has agreed to resume the position until a successor is appointed.

Danka Business Systems continued to suffer following Tuesday, and surrendered 3

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Dec		70.0		98.0	+13.0		786.0	4770		24	NO.		nB
Mer		45.0		85.0	+17.0) 4	860.0	4848	LO.	24	Ю	51	81
FTSE	100 E	NDE	OP	TON (JFFE) (5188) 210	per fut	Inde	x po	int _		
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Jun 275½ 7½ 222½ 55 282½ 99½ 177 117 141 135½ 114 135½ 99½ 155½ 1

Fib 361½ 135½ 135½ 135½ 135½ 135½ 145 221 188 194 210½ 185½ 225 1

Mar 387½ 167 335½ 200½ 2262½ 246½

Jun 31½ 234 245 236 394 301½ 337 241

	Amt paid up	OSP (Em.)	1997 High		Stock	Close price p	•∕-		Div. C	ins P/E
\$250	F.P.	70.8	26712	262	Autologic	26712		R7.5	20	3.5 18
5140	F.P.	26.8	150		1900 Techs	150		-	-	•
-	F.P.	13.7	21/2		Boustead	2012		-	-	
5200	F.P.	217.7	204l2		Bovis Homes	193		P8.4	2.4	8.1 8.
ş	F.P.	6.92	114	11312	Capital Opps Tet	11332		-	-	-
S -		2.15	73		Comland Comm	54	-1	-	-	- 13.
290		404.9	27312		Energis	2702	+12	-	-	-
-		-	£180		Fing Grd Units	2179		-	-	-
\$25	FP,	1,42	3512	2912	General Inda	3512		-		~
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- 5	F.P.	20.2	270		Manchester & Lon			1.33	3.9	0.6 52
9110		135.7	12412		Marchpole	11612	-8	P3.85	21	3.8 15.
5		8.17	5712	5412	†Market Link Publ	55			-	- 11-
_		22.8	14412		Nitha Recruibment	13812		L1.73	4.1	1.6 17.
56		9.54	712		Property Asset	7		-	-	-
-		8,12	612		Hange Cooker Co			~	-	- 12
		20.8	9812		Rapid Yechnology			-	-	-
5102		23.2	10212		Ruzorback Vhcls	10212			- =	
\$105		35,5	11412		SCS Upholstery	-11172		127	20	3.0 21.
_9-		249,6	113		Seatch & Seetch	112 ¹ 2	+1	H1,2	3.0	1.3 30
\$05		5.58	11412		†Sewoy Amen. Mingl			W4.08	2.0	4.5 14.
§250		15.8	255		Seescope Ship	25212	12/2	R125	24	62 B
5	F.P.	164.4	103		Second Soot Net!	103	+12	-	-	- 12/
. 5	F.P.	100.1	101		Do Zero Div Prf	991	-4			
\$230			238 ¹ 2		Sytner	234	41 2	R6.9	3.0	3.7 10.
\$160		44.2	176		Tetra	17512		LOJB	6.9	0.6 29.
•	F.P.	•	50		Vanguard Md Wts Placing price, " int	4212	-212	-	-	-

	Dec 16	% chg	Ded 15	Year	Gross dly yield %	P/E tatio	SZ W	
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E Regional Indices		-						
Aldica (15)	961.85	+0.1	961,93	2137.62	7.26	17.14	2333.56	921.78
Applicationis (6)	933.63	-0.3	936,53	2092,73	3.86	12.27	2217.60	933.63
North America (12)	964.69	-0.1	965.37	1728.02	1.34	35.87	1780.66	894,94
Copyright, FYSE Internation,								

FTSE Actuaries				natione	or Apre	151.15		T	ne U	K S	eries
Crost water 11 group group		Ony's	Dec 18	Dec 15	Year	Gross yield%	Net	Mat	P/E	Xcl edil, ytd	Total Return
TSE 100	5190.8	-02	5203.4	5121.8	4018.2	3.13	259	207		142.08	2239.55
TSE 250	4756.3	~	4757,0	4763.0	4380.5	3.54	2.92	1.81	19.54		2013.28
FTSE 250 #4 IT FTSE 350	4796.7 2498.2	-0.1 -0.2	4790.6 2493.1	4803.1 2462.0	1994.0	3.56	3.03 2.65	7.85 2.02	18.48	154.25	2033.32
TSE 350 ex 17	2482.2	-0.2	2487.6	2466.3	~	3.28	287	2.03	18.10	37.94	1126.95
TSE 350 Higher Yield TSE 350 Lower Yield	2491.8 2499.6	-0.1 -0.3	2493.1	2459.1 2479.0	1909.0 2096.4	4.11	3.43 1.88	1.84 2.27	16.50	87.41 53.10	1870.00
TSE SmallCap	2300,46	+0.1	2298.81	2299.93	2140.56	3.22	2.60	1.56	24.B3	64.37	1976.78
TSE SmallCap ex IT	2297.87	-0.1	2299.98	2304.70	2144.57	3.44	2.77	1.63	22.39	68.33	1993.42
TSE All-Shire TSE All-Shire ex (T	2427,06 2433,11	-02 -02	2431.52 2436.23	2403.11	1965.31	321 324	2.65	1.99 2.01	19.58 19.25	68.15 37.39	2171.82
FTSE Actuaries	Industry 5	Sections									
		Day's	Dec 16	Dec 15	Year ago	Gross yeski%	Net yiek!%	Net	P/E	Xd adı, ytd	Total Return
10 MENERAL EXTRACTION 200		-02	4612.07	4558,41	3825.90	3.40	2.79	1.81		140.63	2084.24
12 Estractive Inclustries(5)	2979,64	+0.5	2965.58	2878,77	3992.27	4.74	4.18	1.88	14,03	139.64	918,40
15 Oil, integrated(3) 16 Oil Exploration & Proof(12)	5098.98 3611.10	-0.1 -1.9	5103,18 3679.69	5037,04 3610.77	3946.04	3,41 1,59	2.76 1.31	1.77	20.68	154.87	2375.68
20 GEN PIDUSTRIALSESS	1993.04	-0.1	1994.62	1990.34	1961.17	3.91	3.33	1.68	33,87	52.82 68.66	2221,16 1154.55
21 Building & Construction(35)	1263.60	+0.5	1278.67	1275.65	1174.71	3.62	291	235	14,71	42.45	1130,68
22 Building Mads & Mercha(20) 23 Chemicala(20)	1756.03 2568.74	-08 -03	1757.16 2586.69	1758.70 2565.33	1774.67	4.37	3.50	1.23	14,85	67.23	941.12
24 Diversified inclustrials(13)	1230.60	+1.2	1222,10	1225.62	1452.60	5.51	5,18	1.71 2.63	18.79 8.64	93.70	1290.99 748.37
25 Electronic & Elect Equip(33) 26 Engineering(64)	2205.05	+1.1	2181.81	2191.89	2224.42	4,04	3.27	1.68	18.43	55.51	1203.60
26 Engineering(84) 27 Engineering, Vehicles(13)	2779.32 3356.80	-02 -1,4	2785,18 3405,89	2770.50	2548.42 3059.51	3.03 2.94	2.54	2.43	17,01 80,001	75.46	1769,11 1830,88
28 Paper, Polig & Printing(27)	2141.22	+0.1	2139,42	2136.96	2462.AT	4.86	3.99	1,92	13.38	89.71	948.64
29 Textiles & Apparei(14)	1000.84	-10	1042.35	1052.21	1029.87	874	5.59	1.18	15.66	63.66	672.45
30 CONSUMER GOODS(84) 32 Alcoholic Beverages(8)	4988.55 3411.44	-0.1 -0.4	5003.07 3426.63	4906.07 3388.88	3701.68 2645.58	3.00	2,61 3,37	1.83	22.79 16.57	140.24	1952.14
33 Food Producern(25)	3363.10	-08	3334,08	3341.03	2822.70	3.21	2.68	1.92	20.22	99,91	1609.86
34 Household Goods(17) 36 Health Care(14)	3073.65 2313.66	-0.2 +1,1	3079.91 2268.87	3086.68 2268.61	2554.61 1994.59	3.21	2.80	2.48	15.70	90.19	1278.22
37 Pharmoceuticals(19)	8238.49	+6.1	8233.28	8037.49	5675.48	2.26	1.90	1.81	31,07	53.27 171.99	1464.19 2918.17
38 Tobacco(3)	4791.52	+0.7	4756,70	4646.70	3920.48	5,92	5.23	1.50	13.16	256.01	1307.76
40 SERVICES(272) 41 Detributors(28)	2637.89 2493.58	-0.8 -0.3	2554.21	2838.80 2513.94	2586.40 2652.97	2.91 3.81	2.35 3.11	2.04 2.03	21.05	71.90 84.30	1545.65
42 Leisure & Hotels(30)	3334.21	+0.8	3315.11	3305.75	3259.84	290	2.32	2.19	18.13 19.86	86,70	967,00 1881.12
43 Media(42) 44 Recallers, Food(15)	4095.09 2692.37	-08 -21	4127,03 2751,45	4100.14 2723.98	4174.71	249	2.07	1.91	26.22	92.40	1533.32
45 Retailers, General(53)	2304.38	-1.5	2338.82	2307.33	2122.86	313 315	250 254	2.26 2.17	17.54 18.17	72.23	1811.27 1387.54
47 Brewarles, Publi & Rest (22) 48 Support Services 549	3612.53	+2.3	3532.38	3521.12	3230.05	3.30	2.84	2.29		25,77	1824.28
46 Support Services(59) 49 Transport(23)	3411.36 2028.26	-0.5	3411.48 2341.78	3465.32 2911.58	2718.88	1.81 3.47	2.82	2.36 1.29		44,02	2234.15
60 UTILITESIS	3488.81	-05	3507.96	3483.69	2491,41	3.87	3.11	1.62		36.38	1290.99
62 Bectricity(9)	3878.80	-1.0	3919.60	3887.54	2683,72	4.82	3.85	2.12		97.25 152.79	1634.91 2228.83
64 Gas Distribution(2) 66 Telecommunications(5)	2530.56	-1.8	2572.28	2540.15	1496.55	2.57	2.06	#		81,42	1449.41
68 Water(12)	2726.75 3252.29	-0.1 -0.3	2729,01 3261,67	2710.16 3260.93	2079.95 2267.43	3.23 5.25	2.91 4.20	1.48 2.21		48.30 119.61	1313.86
69 NON-FINANCIAL SIGNA	2428.54	-03	2434.16	2411,41	2044.34	3.31	2.75	1,88	20.11	69.44	1950.72
70 FINANCIALS(104)	4915,48	+0.1	4911.01	4819.04	3404,80	3.02	2.44	2.42		135.57	2241.50
71 Banks, Retail(11)	7312.04	-+0,1		7149.18	4891.75	2.89	2.30	2.53		190.98	2534.29
73 Insurance(17) 74 Life Assurance(6)	2155.72 5979.55	-1,6 +1.5	2189.89 5893.97	2141.95	1613.83	411	3.39	2.78	10.95	84.91	1750.56
77 Other Financial(26)	3755.12					3.06 2.91	2.51 2.36	2.26 2.06	70.00 20.97	162.17	2532.61 2250.57
79_Property(42)	2180.30		2173.27			2.97	244	1.43	29.44		1416.23
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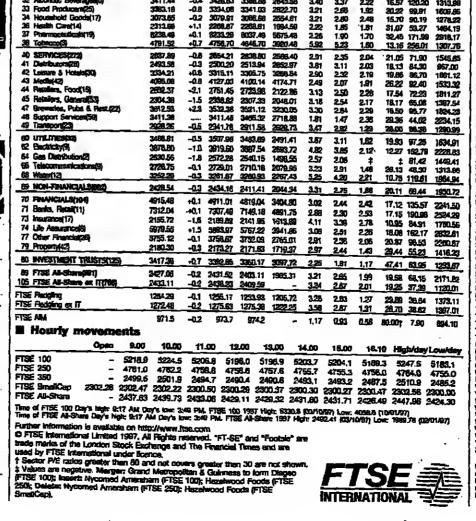
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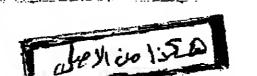
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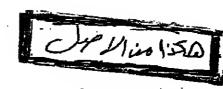


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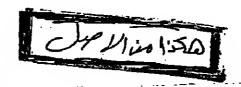
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Mar 18090.0 1822.0 +550.0 18380.0 15770.0 31,849 16 Jun 18030.0 16530.0 +500.0 16830.0 16030.0 15 3	5.338 Dec 4150.0 415	58.0 -2.0 4198.0 50.5 -2.0 4197.0	4133.0 35,037 48,350 Dec 4005.0 20,846 25,628 Jen	6125.0 8112.0 6135.0 8120.1	+20.0 6158.0 6101.0 6,751 18,636 +14.1 8167.0 6110.0 4,550 8,675
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Japan gives the world a double surprise

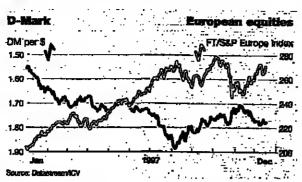
WORLD OVERVIEW

32

The larger-than-expected tax cut hy the Jspanese government and the Bank of Japan's intervection to support the yen caused ripple effects in world stock markets yesterday, writes Philip

The size and nature of the tax cut prompted hopes that be nursed back into health via a revival of consumer spending. The Nikkei 225 average duly managed a 3.5

Meanwhile, the yen support operation - possibly as great a surprise for the markets as the tax cut - tempo-



pressure on the other Asian currencies. However, some analysts were rather puzzled by the actions of the Japaoese anthorities.

ment's belated turnaround on fiscal policy is at least a step in the right direction, even if the final economic impact is likely to be very small. Unfortunately, the accompanying foreign to represent yet another step setback to fourth-quarter end-of-year rally with the FT hack," said Chris Carter. managing director, global equity strategy at UBS.

sumer lacking not income hut confidence, and with financial system stability Street petered out in late surely a necessary condition of increased confidence, to effectively look to tighten monetary policy through foreign exchange intervention to support the yen looks a crazy policy to me."

Asia's problems continued to prompt profits warnings in the US, the latest culprit being 3M, which cited the strength of tha dollar, along

earnings.

last week's warning from "With the Japanese con- Oracle, which ignited s sell-off in the technology sector. An initial rally on Wall morning after the 3M news.

The performance of Euro-

pean markets was mixed as the good news from Tokyo's stock market was offset by the effect of a weaker dollar. The Dax index in Frankfurt nudged a little higher, and the Mibtel in Milan recorded an all-time intraday peak, but the CAC 40 in Paris was down on the day.

European bourses have

S&P Europe (ex UK index) 3M followed in the wake of up 3.2 per cent, in local currency terms, over the first two weeks of December.

Edmond Warner of Nat-West Markets, who is fairly gloomy about the short-term prospects for global stock markets, says: "European equities are solidly underpinned by the approach to monetary union and the dramatic corporate restructuring that is accompanying it. Portfolio restructuring, as Emn-zone investors adopt new benchmarks, should provide added impetus."

AMB jumps 13% on bid hopes

US equities ignore weak **Treasuries**

AMERICAS

equities moved cautiously higher during Industry leader Intel, how-morning trading in spite of a ever, fell back by \$\frac{1}{6}\$ to \$71\%. weak opening by bond mar-New York.

Dow Jones Industrial Average was 25.61 higher at off " at 101%, sending the 8,001.92 while the hroader S&P 500 index climbed 3.55 at 971.59.

Putting downward presthan 5 per cent or \$5% to \$88%. The sell-off was trig- \$111%. gered by a warning from the company that fourth-quarter earnings would be similar to those of last year. Selling was sparked as analysts trimmed their estimates.

But other Dow component sbares continued higher, the price of gold, although including AT&T, which gained \$1% to \$58%. Investors also bid up the price of the holiday season. The TSE cyclical shares, notably Cat- 300 index had risen 43.37 to erpillar, which rose \$1% to \$50% and International \$41%. IBM also stayed firm,

rising \$1% to \$104;3. Shares in Georgia Pacific as its newly formed stock, Georgia Pacific Timher, C\$1.40 better at C\$25.80. began trading vesterday.

tinued to strengthen and the Nasdaq composite climbed pany shares also moved higher as the Russell 2000

index rose 1.65 to 426.99. Semiconductor shares continued to recover. Shares in Altera rose \$2% to \$37%, a also moved higher, up \$% to per cent.

\$44%. The Philadelphia stock

By early afternoon the By early afternoon the

But Citicorp rose \$1% to \$131% on speculation that the company would buy a sure on the Dow were shares credit card business from in 3M, which plunged more AT&T. Chase Manhattan

TRW shares fell slightly, \$\frac{1}{4} to \$54\frac{1}{4}, after it announced plans to buy a 7 per cent stake in the UK's

TORONTO opened higher, fuelled by a strong jump in activity was quiet as dealers started to ease off abead of 6.610.8 by midsession.

Gold stocks advanced by Paper, which added \$1 to more than 6 per cent in early trading as the bullion price rose by more than \$4 on COMEX in New York. Placer rose over 5 per cent to \$63% Dome was C\$1.15 better at C\$17.15 while Barrick was

The technology sector con- based mining company, 250 gained C\$1 lo C\$19.25 after taking a 40 per cent stake in 6.81 to 1.559.81. Smaller com- an Alaskan gold project owned by Sumltomo of

there was active trading in Geac Computer, which rose C\$3.45 to C\$44.70 after the gain of more than 6 per cent. company sald second-Texas Instruments shares quarter revenues rose 152

Mexico in volatile start

MEXICO CITY had a volatile about the prospect of early morning with the market opening higher before briefly dipping into negative territory and then rebounding higher again. By midsession. the IPC index was 22.88 higher at 5,110.19.

wobble was due to investors laking profits after recent strong gains. "The bourse has gone off the boil a bit and sellers have stepped in."

SAO PAULO edged into negative territory as inves-

inlerest rate cuts, one of the factors that has buttressed the market's recent gains. By midsession the Bovespa index was 23 lower at 9,720. Market heavyweight Tele-

BUENOS AIRES ticked sideways in muted trade. with investors keeping a low profile in spite of better news from Asia. Dealers said buyers were keeping a wary eye oo eveots in New York and Brazil and the Merval index was 2.8 lower at 671.88

exchange's semiconductor Index rose 5.17 at 261.29.

ever, fell back by \$1 to \$71%. Shares in financial shares were mixed following a dull morning for Treasury bonds. benchmark loog bond was

yield up to 5.989 per cent. was also higher, up \$15 to

ICO Global Communications.

Teck Corp, a Vancouver-Japan.

Outside the golds sector.

Dealers said the market

tors became more cynical by midday.

bras was up R\$1 at R\$122.50.

(AMB), the insurance group, rocketed 13 per cent as FRANKFURT moved to centre stage vesterday in the battle over France's AGF. AMB shares rose DM21.50 to DM190.50 after Allianz

EUROPE

and Generali of Italy said they were close to a deal whereby Generali would withdraw its offer for AGF and instead acquire a majority stake in AMB through buying shares from AGF.

Brian Shea, insurance analyst at Salomon Smith Barney called the deal en "elegant solution" to the situation, allowing both sides to escape a costly bid-

Allianz rose DM14 to DM452.50 as investors concluded it had achieved a long-standing ambition at en advantageous price.

Elsewhere, the action was also in financials. Vereinsbank rose DM4.40 to DM115.30 after the giant

Danish banking



mortgage bank announced an ambitious cross-border move, huying FGH, the Dutch mortgage bank, from Aegon.

Dresdner slipped DM1.90 to DM84 oo news that Jurgen Sarrazin, chief executive, is retiring earlier than

expected. The llberalisation of Europe's telecommunications industry, due to come into force next month, weighed on Deutsche Telekom. The shares ended 60pfg lower at DM33 after the group announced price cuts to fend off with anticipaled competition. Mannesmann. whose Arcor telecom subsidiary is seen as one of the winners in next year's

shakeout, rose DM17.50 to Overall, the Xetra Dax index finished 4.26 higher at 4.154.57.

AMSTERDAM topped the performance charts among beavyweight markets, after a number of news-driven fea-

Aachener & Münchener National & Regions

tures sent the AEX index up Philips announced plans to

regroup its high-volume consumer electronics businesses and the shares immediately shook off the gloom induced lately by the shakeont for US high-tech sectors. They jumped F15.50 or 4.8 per cent to Fl 119.50 after touching a session-high of Fl 120.90.

Gist-Brocades was another keenly sought share, climhing F12.10 or 4.3 per cent to FI 50.90 after a local press report sparked talk of a merger with DSM. The latter added Fl 1.20 to Fl 183.50.

Paper leader KNP BT the market had an uninspir-moved lower at the opening ing day and the KFX index moved lower at the opening on news of a Fl300m bcok loss on the sale of Austrian offshoot KNP Leykam, but quickly recovered to close F1 2.30 or 5.3 per cent higher at F145.50 on news of management changes.

Among financials, Aegon was Improved F1 2.00 to FI 178 after announcing the sale of FGH Bank.

PARIS moved lower in reduced volume. CCF was the worst performer in a dull banking sector, while Usinor came off sharply following a negative broker note.

CCF ran into profit-taking after recent merger specula tion gains and slipped FFr20.50 or 4.7 per cent to FFr418. Usinor shed FFr2.60 to FFr82.40. The CAC 40 index finished 18.93 lower at 2,893.25.

AGF fell FFr9.00 to FFr317.10 after Generali end Allianz agreed to drop competing bids and abare the French insurer.

ZURICH hit an all-time high. Swiss Re fell back SFr39.00 to SFr2,568 after its recent share buy-back led gains, but rival insurers were busy. Zurich Insurance gained SFr37.00 to SFr674 and takeover talk got behind Baloise, which rose SFr30.00 to SFr2,890. The SMI index ended 29.4 higher at 6,122.1. COPENHAGEN was again

dominated by trading in

continued buying in the 10.03 or 1.1 per cent to 914.76. hope of sector consolidation. "It's just renewed speculation about mergers," said one analyst. "We have seen

a lot of that this year but

there has been little concrete

information to go on." BG, Denmark's secondbiggest bank, linked recently with Unidanmark, the numher three, rose over 7 per cent in early trading. The shares finished DKr24.50 better at DKr480. Unidanmark ended DKr10 better at DKr520 while Den Danske Bank closed DKr43 up at DKr930. However, the rest of

slipped 0.37 to 204.01. STOCKHOLM was boosted by favourable news on telecoms giant Ericsson, which up R5 at R128.

rose SKr11.50 to SKr299.50 after a European standards agency reported that its technology was likely to become the European stan-dard for the next generation of mobile phones. The general index ended 23.47 higher at 2,954.89.

Worries about the German retailing sector, a feature of the Frankfurt market of late. filtered throngh to Hennes & Mauritz, the clothing retailer.

Goldman Sachs downgraded the stock after two rears on its recommended list, citing valuation concerns and doubts about the German market. The shares ended SKr24 down at SKr342.

Written and edited by Jeffrey Brown, Jonathan Ford and Nicholas Miller.

SOUTH AFRICA

Johannesburg shares surged towards the close to finish nearly 2 per cent higher as both the gold price and the rand strengthened. The allshare index finished 111.1 better at 6,170.

Gold stocks leapt almost 7 per cent as the bullion price rallied. Leading gold stock Vaal Reefs was R14.80 better at R172.40. Industrials gained 2 per cent, with Anglo American Industries

EMERGING MARKET FOCUS

Low odds on an Indian summer

Indian stocks – battered hy india the collapse of the government, a 10 per cent slide for the rupee and a general withdrawal of funds from Asian markets - are staging a modest recovery.

Yesterday, the benchmark BSE 30 index closed at 3,489, up 63 for a rise of 160 points from a recent low of 3,329 on December II. Analysts said the bad news is now fully discounted in share prices. Some believe that the index has found a new "natural floor" at about 3,300.

"The levels today are seen by and large to take into account the politics. the rupee and redemption pressures on emerging market funds," said Sankar Dey. chief executive of Peregrine Securities India.

Mr Dey said local speculators - who account for 70 per cent of turnover - had driven down the market after foreign institutions began to sell shares in November, recording tha first net outflow of funds since India began its

reforms.

The knock-on effects of tha Asian crisis wera "aggraveted" by a falling rupee and the chaotic fall of the government in Delhi. But the last five days have seen an outbreak of bargain hunting concentrated on blue chips. The index was also supported by good news from Indian Tobacco Company, which posted

good first-half profits. The recovery of confidence remains fragile, and is unlikely to push the mar-ket strongly higher. It rests on the belief that the rupee has reached a floor just above 40 to the dollar. On Monday Bimal Jalan,

the new governor of the Reserve Bank of India, said this level was "reasonable". The following day the currency fell to an all-time low of 39.93 in intraday trading - but heavy intervention by the RBI pushed it back to 39.39. Tha rupee closed yesterday at 39.35.

1,000

Mr Jalan promised to ensure "a two-way market" with demand for rupees and supply of dollars. This carries weight in a thin market where forward speculation is banned. Most analysts now say downside

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risk on the rupee is small. But a minority say the currency could fall hy up to a further 10 per cent. "What has changed is the collapse of the Korean won and a weakening Japanese yen," said the bead of research at one securities firm. Ha said the RBI could not ignore the threat of

cheap imports from Korea and Japan. Analysts are now looking ahead to end-of-year asset allocations - with positive signals from Morgan Stanley and Foreign and Colonial, but signs that other investors are overweight. Meanwhile, attention has shifted from the risk of elections to their likely outcome. Many Bombay stock

brokers favour the rightwing Bharatiya Janata party. But foreign investors are troubled by its outbursts against foreign investment, and apparent reluctance to push for full currency convertibility and an open insurance sector. As a result, a solid hull

run may have to wait until foreign investors digest the new government's budget in April or May.

Krishna Guha

EUROPEAN DEPOSITARY RECEIPTS (EDR) BEARER DEPOSITARY RECEIPTS (BDR)

Morgan Guarauty Trust Company of New York

Dividend	Payment Date	Coupon	Gross smount (in USD)	Net amount (-15% tax) (in USD)	Net Amount (-20% tax) (In USD)
Asahi Chemical Industry BDR	19/12/97	49	0.4632	0.3937	0.3705
Honda Motor Co EDR	19/12/97	45	0.6949	0.5906	0.5539
Mitsubishi Elegaric SDR	19/12/97	54	3.0880	2.6248	2.4704

Morgan Guaranty Trust Company of New York: New York, 60, Wall Street 35, Avenue des Arts 60, Victoria Embankment

ourg. 50 Avenue JF Kennedy, 2951 Luxemb Crédit Industriel d'Alsace et de Lorraine, 103 Grand Rue, Luxembourg

payment of dividend under deduction of 15% Japanese withholding tax trust provide the depositary with a declaration of residence by March 19, 1998.

Due 1999

JPMorgan

Société d'Investissement à Capital Variable 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B-26 272

DIVIDEND ANNOUNCEMENT

MERRILL LYNCH EQUITY/CONVERTIBLE SERIES will pay on 29°

ts of dividend per share in the relevant portfolios are as follows: Asian Tiger Opportunity Portfolio: Class A: USD 0.133 Class A: USD 0.260 Class B: USO 0.209 Class O: USO 0.258 Class A: USD 0.146 Class B: USD 0.117

Global Allocation Postfol Global Small Cap Portfol

Class A: USD 0.218 Class S: USO 0.132 Class A: USD 0.154 Class S: USO 0.121 Class A: USO 0.148 Class S: USO 0.136 Class O: USO 0.177

Class A: USD 0.173

Class S: USO 0.152

Class O: USD 0.188

Class A: USO 0.162

Class B: USO 0.193

Class O: USD 0.205

Class A: USD 0.272

Class O: USO 0,232

Class A: USD 0.190

Class S: USO 0.13)

Class O: USD 0.160

Class A: USO 0.124

Class S: USO 0.130

Class R: 1150 0 205

The Board of Directors of Merrin Lynch Equity/Convertible Series

O

The Chase Manhattan Corporation

U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009

For the three months 17th December, 1997 to 17th March, 1998

the Notes will carry an interest rate of 6.0625% per annum with a coupon amount of U.S. \$151.56 per U.S. \$10,000 Note,

Tokyo rises 3.5% on tax news

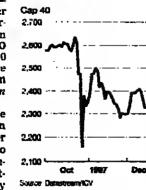
ASIA PACIFIC

Boosted by prime minister Ryutaro Hashimoto's surprise anouncement of an income tax cut. TOKYO surged more than 1,000 points at one stage before consolidating in afternoon trading, writes Bethan

Hutton. The Nikkci 225 average closed 3.5 per cent higher on the day, ending 555.85 higher at 16,541.06, after slipping to 15.795.20 carly in the morning session on disappointment with Tuesday's policy measures. It then rocketed to 16,816.68 as news broke of the lax cut.

The broader-based Topix to Y910. index gained 28.53 to 1,227.95, while the capital-weighted Nikkel 300 added 6.07 to sudden surge of the yen - to

Relailing strengthened with the tax cuts seen as one of the few pieces of good time. Investors hoped that at 5 per cent, and paper and least part of the tax cut estimated at about Y70,000 per family - will be spent Y110 at Y2.100, a high for the and not saved. The retail index rose 4 per cent, and department stores in particular dld well. Mitsukoshi added Y29 to Y375, Isetan game maker, dropped Y200 rose 8 cents to A\$8.20 and



New Zestend

Y64 to Y609, Parco Y33 to Y493, and Takashimaya Y65

The steel, oil, and paper sectors benefited from the a peak of Y125.7 to the US dollar at one stage - from a starting point of about Y131. The iroo and steel sector news for the sector in a long rose 6.8 per cent, oil and coal

> Asahi Breweries was up year, after announcing a foreign buying joint venture with Tsing Tao Breweries in China. Nintendo, the electronic cent to A\$13.56. News Corp

pulp 3.5 per cent.

have induced epileptic fits in several hundred children. Volume increased to about 600m shares, from 419m on Tuesday. Gainers outnumbered losers 890 to 292, with 120 unchanged. In Osaka the OSE average jumped 390.57 to 16,108.66, in volume of 23.8m shares. WELLINGTON fell steeply

> rug from under sentiment. Leading stock NZ Telecom tumbled 3.9 per cent and the NZ 40 capital index closed 34.60 or 1.5 per cent lower at 2,297,76 The shakeout followed a

after a sharp rise for interest

rates appeared to pull the

from the central bank, which predicted an upsurge in the current account deficit. The NZ dollar fell and money market rates shot higher. SYDNEY bounced 1.9 per cent, with the All Ordinaries index gaining 48.0 to 2,562.1 on what brokers described as "some fairly determined"

Golds had a good day and

BHP gained 72 cents or 6 per

to Y12,500 after a TV cartoon retailer Coles Myer 8 cents based on some of its game to A\$7.62. National Australia characters was reported to Bank put oo 51 cents at A\$21.47

HONG KONG improved in low volume with the Hang Seng index rising 555.85 or 3.5 per cent to 15,541.06. Wall Street's overnight gains plus the better tone across the Pacific Rim was said to have supplied the momentum. HSBC rose HK\$8.00 to

HK\$195. The property sector index jumped 4.2 per cent Shanghai Industrial and Cbina Telecom, hoth of which join the lead index oext month, rose HK\$2.30 to HK\$30.00 and 80 cents to HK\$13.55 respectively.

SEOUL extended its preelection rally, with the comgloomy economic report posite index gaining 14.23 to 418.19. Banking stocks rose on hopes of merger activity.

Korea First Bank ended 170

woo higher at 2,340 won and

Seoul Bank ended 150 won better at 2,080. JAKARTA was strongly higher as worries about President Suharto'a health ebbed and tha rupiah staged

The composite index

closed 12.3, or 3.5 per cent,

higher at 368.685.

EUROPEAN INVESTMENT BANK ESP 20.000.000.000 **Capped Floating Rate Notes**

> The notes will bear interest at 5.10625% per annum for the interes period 15 December 1.997 (included) to 18 March 1.998 (excluded). interest payable on 16 March 1.998 will amount to ESP 1.291 per Madrid, 15 December 1997 BANCO CENTRAL HISPANO

Banco Central Hispanoamericano, S.A.

DEM 100,990,000

BUSSIAN INVESTMENTS

Series 1 Secured Step-Down northing Notes due 2015

Ameritaing Notes day 2015
The Cleating Bare of the vertracturing of the
Eligible Debt of Vneubeconomizate late
Entractured Loans as defined in the
Financing Proposals for Vneubeconomizate
dated Jame 10, 1986 the "1986 Pleancing
Proposals" has been confirmed in a press,
release leaved on December 2, 1987. Therefore,
in accordance with Condition Stat of the above
referented Notes, the compon payable on the
Notes for the inferents payment due March 19,
1834 will be DEM 68504 for each DEM 10,000
prateipal amount of the Notes.

U.S. \$200,000,000 HSBC Americas, Inc. Floating Rate Subordinated Notes Due 2000

Central Hispano

6.1676% pa

Bankers Trust Company, London

payable on 17th March, 1998.

IN THE RIGH COURT OF RISTICE CHANCERY DIVISION COMPANIES COURT MR REGISTRAR BUCKLEY IN THE MATTER OF KENNING MOTOR GROUP PUBLIC LIMITED COMPANY IN THE MAITER OF THE COMPANIES ACT 1985

LEGAL NOTICES

COMPANIES ACT 1981

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancey Division dend 10th Describes 1997 contraining the reduction of the Share Capital of the above-asset of Company factor £18,700,000 to all the Minister physics to be 17,500,000 and the Minister physics by the Dated this 18th day of Dece Nicholose Graham & Jones 110 Casmon Street London EC4N 6AR

U\$\$500,000,000 Floating rate notes 1998 Notice is hereby given that the notes will bear interest et 6.65625% per annum for the period 18 December 1997 to 18 March 1998. Interest payable on 18 March 1998 per (ISS 1,000 note will amount to

BANK OF GREECE

Agent Bank

Agent: Morgan Guaranty Trust Company **JPMorgan**

